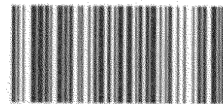


ICL Pathway
Bringing
Technology
to Post Office
Counters &
Benefit Payments

Monthly
Progress
Report



POH-395D

March 1999



ICL Pathway

Programme Monthly Report

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Associated Documents:

	Reference	Vers	Date	Title	Source
[1]	PM/PRO/002	1.0	26/09/96	Pathway Programme - Project Planning, Reporting and Control	

Approval Authorities:

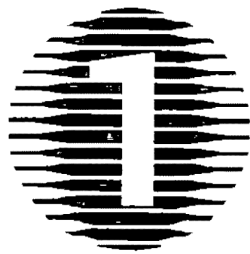
Name	Position	Signature	Date
J. H. Bennett	Managing Director		



ICL Pathway Monthly Progress Report

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Managing Director's Summary

Managing Director's Summary

PROGRAMME PROGRESS

- The live Release 1c service continued to perform well in March.
- The targeted testing to check the successful resolution of PinICLs outstanding at the end of End-to-End and Model Office started and completed on schedule. The results of this testing was viewed both by ourselves and POCL to have been successful with a high degree of success across the number of PinICL's under regression test. A closure report on this has been produced by POCL, and was one of the reports tabled for the Release Authorisation Board (RAB) for Live Trial which met on the 7th April.
- Next version of the Known Problem Register (KPR) has been issued which is judged both by Pathway and POCL to be an acceptable list of issues both in business impact and quantity. However, we know that BA take a different view and are using this, and other statistics to support their argument that further testing is still necessary and that another cycle in the Model Office Test should be conducted. We will oppose this very strongly and are pressing POCL to take an equally robust line.
- The POCL Infrastructure Acceptance Specification was approved, making 22 out of the 24 specifications now approved. Pathway has proposed, in writing, the detailed way forward to getting the BES specification approved. The last specification, Service Boundaries is progressing. The BPS and EPOSS Trials Closure reports are in preparation following completion of the associated test reports on 6th April and Acceptance Review document packs are being published. The first difficult Acceptance Review, on Audit, was successfully concluded.
- The RAB on the 7th April was important to maintain project progress and here BA have been increasingly difficult and disagreed with the views of both POCL and Pathway that the programme should proceed into Live Trial. We have contingency plans to force the programme forward along our timescale, but without the full support of both BA and POCL this will become increasingly difficult.
- Our plans towards achieving beginning-of-live trial remain on schedule, and we are prepared to begin the migration of the Release 1c counter positions to New Release 2 starting 11th April with the critical Data Centre conversion to New Release 2 scheduled for 8th/9th May.
- No progress had been achieved on the Multi-benefit testing arrangements with BA until the middle of the month. They declared their willingness to restart on the 12th April but then more recently changed their demands on what such a restart might require. We remain at a stage of readiness to support BA on this date.

- Preparation of Post Office outlets continues to make progress with over 11,000 Sub-Postmasters now in the process and site surveys running at over 8,000. We now have over 2,500 Post Offices in a state of ready for installation.

NEGOTIATIONS WITH THE AUTHORITIES

- Discussions with HM Treasury and the two sponsor authorities have been continuous over the last month and progress achieved has been reported separately.
- HM Treasury understands the importance of reaching an agreed position in time for the year-end reporting of both ICL and Fujitsu. A lot of work remains to be done to reach a consensus on the right way forward and to put this into a legally binding agreement. This will be a challenging target in the short amount of time which is available.



Systems Report

Systems Report

MONTHLY SUMMARY

- The final E2E and MOT test phases successfully completed on 15th March on schedule. As anticipated, it was necessary to demonstrate clearance of a number of incidents via a target test exercise scheduled between the 24th and 31st March. This also ran successfully and achieved a pass rate in excess of 98%. The Known Problem Register (KPR) will be closed with approximately 140 entries. Consequently, the Horizon Programme have confirmed that they are willing to enter 'live trial' commencing with the migration of the counters in the existing 204 outlets. They will be stating this view at the *Release Authorisation Board* due to take place 7th April 1999.
- A rehearsal of the release 1c to NR2 counter migration activities uncovered two potentially serious issues, one concerning the outlet specific reference data and the other regarding the 'initialise training' function. These have since both been resolved and a final rehearsal is planned immediately prior to the first outlet being converted on Monday 12th April 1999.
- The BIT regression cycle, an important input to the acceptance process, finished successfully on 14th March. Further runs are expected in parallel with 'live trial' to confirm clearance of contractual acceptance incidents. This updated version of the system will be used for National Roll-Out.
- The second usability trial held at the Twickenham Regional Post Office proved a valuable exercise for POCL. It confirmed that the staff had very few problems with the new accounting and stock balancing procedures.
- The Benefits Agency have still to confirm that they are prepared to start the multi-benefit testing on 12th April as originally planned. They have also stated that the interface testing of the on-line enquiries functionality will not start until the end of May, after CAPS 3.5 has gone live and not in line with the Treasury planned date of 1st March 1999. This functionality is present in the current NR2 software baseline and has been ready for CAPS to exercise for several weeks.
- Progress on new release 2+ is improving as the support demands for NR2 gradually reduce. KMS remains the critical path activity closely followed by the development of the new LFS product for POCL.
- Preparation for the reorganisation of the systems department are near to completion and we expect this to be operational from 4th May 1999. This should enable ICL Pathway to deal more effectively with the additional and diverse workload expected in the latter half of 1999.
- It is quite remarkable that the team continues to work extremely hard and remains focused on the job in hand, this is in spite of the air of uncertainty surrounding the future of the programme.

PROGRESS

- The technical and security testing which runs in parallel with the customers facing test streams is progressing well. The number of medium business impact incidents has been reduced to 3 and fixes for these are awaiting regression testing. All of the final test reports are in production.
- The End to End testing counter activity completed on 12th March with POCL back end processing completing on 17th March. The MOT counter activity completed on 10th March with POCL processing completed during week ending 14th March. The number of incidents and their complexity have not been the cause of undue concern. The large majority have been investigated and resolved either because no fault found, software fix identified or an agreed entry on the Known Problem Register (KPR). Those where a fix was identified were subject to target testing between 24th and 31st March and this achieved a 98% success rate.
- The automatic cash account validation exercise is now complete and outputs are with POCL for scrutiny. Initial reports suggests that the reference data for 'live trial' will be approved. Discussions regarding the process for changing reference data during live trial have not yet reached agreement.
- A regression cycle of the data warehouse and MIS/SLAM/FRMS/CCS systems is not going well. This version of the software was designed to address the performance and usability issues we had identified in earlier versions but the quality of the latest release appears to be poor with indications of major regression. Urgent discussions with the supplier (AT&C Belfast & Dublin) have been arranged and hopefully actions can be taken to resolve the situation.
- Progress on testing the very large 22 counter position outlet has been excellent. The message store is 780Mbytes in size and continues to grow but very few problems have been uncovered. Not surprisingly, training takes several minutes to initialise in this environment and options to improve this are currently being evaluated.
- The BIT Regression cycle finished on 14th March. Further runs of this cycle are expected in order to confirm clearance of specific acceptance incidents.
- The formal sign off of the Process and Procedures (PPD's) will not be achieved on the 2nd April as planned. This is a critical dependency for Acceptance and maximum effort is being applied to resolve the few remaining issues many of which are with POCL and long-standing.

COST DOWN

- No new cost down initiatives were identified this month.

CURRENT CRITICAL PROBLEMS

- The Sponsors may not authorise the NR2 system for release into live trial. They may conclude that the *accumulative* effect of the number of software incidents classified as *low business impact* represent an unacceptable risk and may insist on some or all of them being fixed and a rerun of the model office with the consequential adverse impact on the delivery schedule.

ISSUES

- Integration of the new POCL product LFS, and the EPOSS infrastructure at the counter is proving troublesome. Senior management intervention is necessary to address the issues identified.
- 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 and meetings have been arranged with POCL to discuss further their requirements for mobile/portable configurations. In parallel, we continue to negotiate with Energis and BT with the objective of reducing the cost of installing and running frame relay connections.
- 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+. If this cannot be successfully negotiated it raises doubts as to whether the required enhancements can be completed in time.
- The introduction of NUMA-Q is progressing well and an agreement has been reached with EMC with regard to fibre channel on NT. However, the implementation strategy needs to be very carefully monitored to ensure that the NR2 roll-out is not adversely impacted.

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.

Commercial & Financial Report



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Commercial & Financial Report

MONTHLY SUMMARY

- No Input

COSTS

- The Controller's report follows.

MARCH ACTUALS 1999**KEY NUMBERS (£000'S)**

	Month	Cum. (15 mths from Jan 1999)	
		Actual	Variance vs. Forecast
Trading/Project Costs:	Revenue	799	33
	Project Costs before Capitalisations	10,675	109
	Declared PBT Losses	57	75
Cash:	Business Operating Cash Flow	(0,779)	318

	End of March 1999	
	Actual	Variance vs. Forecast
Balance Sheet:	Project WIP	34
	Net Fixed Assets	3,100
	Total Borrowings	315
Headcount:	Permanent	7
	Non-Permanent (ITs and Temporaries)	3
	(Memo): Freelancers procured through ICL IT Contractor Services	-

Summary:

All key indicators were favourable to forecast in March.

Pathway financial submissions were made on time to Group on Friday 9th April. These were based on our continuing policy of capitalising all UK project expenditure into project Work-in-Progress.

Any notion of favourable variances will quickly evaporate if these policies are considered to be unsustainable, even taking due account of the current levels of intense activity with our main client concerning new business opportunities.

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MARCH ACTUALS 1999

PROJECT COST ANALYSIS (£000'S)

	Month	Cum. (15 mths from Jan 1998)	
	Actual	Actual	Variance vs. Forecast
Revenue	799	1,894	33
Direct Cost of Sales	2,151	25,150	281
Gross Margin (Deficit)	(1,352)	(23,256)	314
Opex:-			
Labour - Own Staff	903	11,015	17
Travel & Subsistence	70	785	(6)
Freelancers	2,086	24,676	17
ICL Subcontracts	2,255	20,793	(172)
Other Subcontracts	350	9,789	132
Depreciation	1,498	17,768	51
Marketing	29	643	25
Professional	261	3,266	(69)
Other opex	631	5,528	(200)
Gross Project Opex	8,083	94,263	(205)
Interest costs	1,240	15,470	-
Costs before Capitalisations	10,675	132,989	109
Declared PBT Losses	57	1,588	75
Capitalised into WIP during year	10,618	131,401	34

Comments:

Revenue was slightly ahead of forecast, with supplementary internal invoicing on international projects offsetting a small shortfall on invoicing to POCL for their contribution to site survey and modification work.

There were further gains on direct costs, mostly from Operational Services (former CFM and Sorbus), where additional forecast costs relating to the migration to release 2 systems were not incurred. The physical migration exercise started over the weekend, with a single office now enabled to not only encash benefits but also to transact Post Office transactions, such as stamp sales. The existing 200+ offices, plus a further 100+ are due to be set up for release 2 by the middle of May.

Most opex variances were either small or offsetting, with the exception of the costs of setting up our expanded Customer Service function in Bracknell, which were dealt with through P&L, rather than fixed assets (given our accounting policies, this differentiation is somewhat academic).

Declared losses on international activities were £57k, which was £75k better than forecast, due to a combination of the extra revenue levels and cost containment.

MARCH ACTUALS 1999

HEADCOUNT

Permanent Headcount:

Systems
Implementation
Customer Service
All other departments (UK Project)
Total - UK Project
International Sales
Totals - Permanent Staff

End of March 1999	
Actual	Variance vs. Forecast
43	6
57	(3)
57	
53	3
210	6
4	1
214	7

Permanent headcount levels were again lower than forecast, with the now familiar difficulties of filling positions in Systems areas still apparent.

Non-Permanent Headcount

Industrial Trainees and Temporary Staff

Freelancers (sourced through ICL IT Contractor Services)
Systems
Implementation
Customer Service
All other departments
Total - UK Project
International Sales
Totals - Higher Skills Freelancers
Totals - Non-Permanent Staff

End of March 1999	
Actual	Variance vs. Forecast
10	3
145	2
4	1
7	
26	(4)
182	(1)
7	1
189	
199	3

Freelancer levels were in line with forecast in total.

Grand Total - UK PFI Project
Grand Total - International Sales
GRAND TOTALS

402	8
11	2
413	10

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MARCH ACTUALS 1999

CASH FLOW (£000'S)

	Month	Cum. (15 mths from Jan 1998)	
	Actual	Actual	Variance vs. Forecast
Inflows/(Outflows)			
Net Project Costs - capitalised into WIP	(10,618)	(131,401)	34
Project costs taken straight to P & L	(57)	(1,588)	75
Depreciation	1,498	17,768	(51)
Movement in other Working Capital items	3,530	1,125	(2,891)
Fixed Asset Additions	(3,132)	(28,400)	3,151
Business Operating Cash Outflow	(5,779)	(142,496)	318
Opening Net Borrowings	223,671	89,955	-
Closing Net Borrowings	232,452	232,452	318

BALANCE SHEETS (£000'S)

Comments:

Cash flow and resultant month-end borrowings were £318k better than forecast.

Specific variances in the month rarely translate into immediate cash flow/borrowings, due to working capital impacts: this is evident from the lower than forecast levels of fixed asset additions, being almost entirely offset by lower creditor levels.

Month-end borrowings levels variances are generally more likely to be impacted by day-to-day cash control measures and the timing of supplier payments, and we were successful in keeping our borrowings requirements within previously forecast levels.

	End of March 1999	
	Actual	Forecast
Net Fixed Assets	46,925	50,025
Project Work in Progress	224,157	224,191
Other Working Capital	(20,806)	(23,697)
Totals	250,276	250,519
Share Capital	20,000	20,000
Retained Earnings	(2,176)	(2,251)
Group Pooled Borrowings	332	59,650
Internal Loans	59,000	-
External Loans	173,120	173,120
Total Borrowings	232,452	232,770
Totals	250,276	250,519

Customer Requirements Report

MONTHLY SUMMARY

- There are now 22 approved Acceptance Specifications out of a total of 24, with approval of the large POCL Infrastructure one being achieved. There is a way forward on the BES specification and the one for Service Boundaries is progressing.
- The four key BPS and EPOSS Trials Closure reports are in preparation with the completion of regression run reports for BIT and EPOSS. Review Packs are going out a little later than plan but are progressing well. The potentially difficult first Audit Acceptance Review was conducted satisfactorily.

DETAILED PLAN ACTIVITIES**NEW RELEASE 2**

- The Version of the Known Problem Register (KPR) to document entry to Live Trial was negotiated, including three days of intensive off-site meetings. This was the dominant activity during March and produced a very positive result. There were 146 entries on the register not Closed. The medium severity entries were reduced to six. This register included all the unresolved issues from the last stages of Technical Testing, Model Office and End to End Tests, and the supplementary Targeted Testing.
- The Requirements team has supported the daily QFP (Quality Function Process) and Targeted Testing meetings to marshal and resolve the current PinICL work in progress.
- A further revised Audit Trail Functional Specification (2.6), to resolve Acceptance Review issues, was output.
- Horizon wants the document *Post Office Not Available For Benefit Encashment* document introduced as a Contract Controlled Document (CCD) after review. The associated Pathway Change Proposal was raised.

RELEASE NEW 2+

- Tony H has negotiated to produce a functional specification in April, funded by Horizon, for the support of additional DSS agent roles of Split Payment Payees and Death Arrears Payees. Agreement to our proposal for Summarised Receipts (R909) was achieved.

CCNS / CRS / CPS

- The whole CCN list was restated showing the status of all CCNs at the point of Live Trial start. This was a prerequisite to obtain approval of CCN 251, which was the original CCN to approve the Release Contents Definition (RCD) for New Release 2.
- CCN 397 was withdrawn by Pathway as too late for NR2+.
- Pathway commitment is awaited on CP 1799 (Service Boundaries).

ACCEPTANCE SPECIFICATIONS

- POCL Infrastructure - this was finally approved.
- BES - We have provided POCL and DSS with a list of changes that we believe are required to resolve the issue of POCL's ultimate liability that had held up POCL approval. We will convert this into a CCN without waiting for the Change Request from POCL. Only superficial changes to the BES Acceptance Specification will be required and Acceptance will not be otherwise affected.
- Service Boundaries - A response from the customer to our earlier review of comments was reviewed and a further response returned. There is dispute over the detail of performance that needs to be recorded at service boundaries and POCL concern over the BES/PAS boundary. The customer is pressing for a boundary performance measurement capability to be available as part of Acceptance, that is, during live trial operations. A simple recording of a subset of the information has been offered.
- CP 1799 has been raised to improve boundary measurements for NR2+. Only a subset of the information would be available at NR2 and we may yet have difficulties providing all the assurance that the Authorities require.
- The SADD Appendix B has been reworked to include additional material necessary for service boundaries acceptance and also to bring the information into line with NR2 to reflect the rework of Agent design.

ACCEPTANCE TRIALS

- Work continues on the BES Acceptance Trial Closure Report using the material from the BIT Regression Final Report, the TPS Closure Report and the Security Testing Report. There are no outstanding Acceptance Incidents from either TPS or Security Testing and one individual test step under TPS was not completed because of script error.
- The position on BIT test results is that 64 BES Acceptance Criteria are proved and ten were unsuccessful. The areas with outstanding incidents included card authentication and impounds, receipts for casual agents, appointee encashments, foreign encashment processing. In general this is a very positive result.
- The EPOSS Closure report is in preparation following availability of the EPOSS Regression Final Report.

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- Approval of the Security Trials Closure report has been recommended following a successful appraisal of the Girobank third party testing.
- The POCL Infrastructure Trials Closure report is dependent on the Technical Testing test reports that are now coming through at the level of progress required.
- Approval by the Authorities of the OBCS, APS Trials Closure Reports and Reference Data is now overdue.

ACCEPTANCE REVIEWS

- BES - The first segment review pack was issued on time, although Horizon was unable to unzip files. The first review is intended to be a relatively gentle introduction dealing with soft issues such as "flexibility".
- Four BPS Acceptance Review segment packs were issued on schedule. A further four segment packs are due during April.
- The first two EPOSS Acceptance Review segment packs were output, and the first set of comments on the first of these was produced.
- The first two review packs were issued for Security together with the first Service Levels pack.
- Two review packs were output for each of Implementation and Policies & Standards.
- Review packs have been output also for OBCS, APS and POCL Infrastructure.
- The document spreadsheet (of acceptance review documents) was completed and passed to Design who are adding some additional information to assist management of the final production of the outstanding documents.
- The principal holding factors are the set of PPDs (Policies & Procedures Documents), a number of Implementation area documents, the MIS test report for the testing repeated for Live, Reference Data and Invoicing Standing Data and Business Continuity documentation. A set of PPDs has been commissioned that will document the current state of agreements and issues and will support document reviews needed for Acceptance.
- The first Audit Acceptance Review was conducted satisfactorily. It had threatened to be a difficult review because the comments on the review pack were very "opponentist". However, face-to-face it proved possible to overcome all objections with only minor revisions of the Auditors' Manual and the Audit Trail Functional Specification.

'OPTION B'

- A significant amount of effort has gone into this during the month, including meeting attendance with POCL/BA/Treasury, Pathway reviews and producing updated service definitions at outline level.

OTHER TEAM ACTIVITIES

- DCH continued to support the workshops on Better Government. This has included reviewing the White Paper and examining the options for smart card usage and synergy with other ICL programmes such as Government branch, Persona (Financial Systems) and the Microsoft Alliance and card plans.
- All appraisals were completed.
- John C

GRO

CURRENT CRITICAL PROBLEMS

- None.

ISSUES

- The completion of documents needed for Acceptance Review is beginning to delay Acceptance Review Packs. Actions are being pursued with named individuals.

Customer
Service
Report



Customer Service Report

MONTHLY SUMMARY

- Release 1c has continued to be stable and provides excellent service in the run up to NR2 Live Trial.
- No new problems reported
- Majority effort is being invested in completing MOT and preparing supplier services for NR2 migration in early April.

RELEASE 1C VITAL STATISTICS

- Installed base: 203 Post Offices, 332 counters
- | | |
|---------------------------------------------|-----------|
| Number of Cards issued | 49,038 |
| Number of Active Cards in use | 37,584 |
| Total number of BES Counter Transaction | 1,100,048 |
| BES Counter Transactions in month | 102,088 |
| Total value of Benefit Payments received | £34.6 |
| Value of Benefit Payments received in month | £2.9m |
| Total value of Benefit Encashments made | £33.6m |
| Value of Benefit Encashments in month | £3.2m |
| Total number of OBCS Transactions | 7.4m |
| Total number of books impounded | 19,507 |

PROGRESS**OPERATIONS**

- Live Reference Data Proving exercise completed with no major issues.
- MOT completed successfully and it was pleasing to receive positive responses to the performance of the underlying support services during this period.
- Majority effort is now being invested in preparing for the R1c to NR2 counter migration. The rehearsal on 2nd April identified some new problems but these have been overcome in time for the cut-over on 11th April.

BUSINESS SUPPORT

- The overall incident rate decreased to 0.03% in March with 33 incidents being received against 102k payments. Of these, 16 were 'Non committed' transactions all due to the clerk voiding the transaction after paying the customer.
- The number of incomplete transactions was 9 (0.009%) 4 of which were due to power failures.
- There were no SLA non-conformances and the BES stream continues to be fully reconciled.
- A proposal to make reconciliation reports available to POCL and BA via access to a dial-up PC has been formally documented and distributed to relevant Authorities' staff.

BA & POCL SERVICES

- Service performance in March was very good.
- There were no new problems identified.
- After much prompting by Pathway, a change request has been submitted by POCL to introduce the National Business Support Centre. This will replace the 7 Regional Helplines and is eventually intended to provide a first point of contact for all post offices reporting problems or querying procedures with the Horizon system. This should reduce our Helpdesk costs significantly with unnecessary calls being filtered by the NBSC before being passed to the Horizon Systems Helpdesk.

CUSTOMER SATISFACTION

- Remains high with no issues to report.
- Service Visit Reply Cards continue to be returned regularly and reveal the continued excellent performance of field service staff.

SYSTEM SUPPORT

- Following completion of the extended machine room, work has now started on the rigs, initially with the RDMC rig.
- There were few problems on the live service in March until, at the end of the month, there were issues with the Cash Account Week. SSC staff were able to fix this problem pending the provision of updated reference data from POCL.
- For the first half of the month SSC were heavily involved with MOT work.
- The SSC requirements for access to the live system have been formally documented and distributed. There are no outstanding comments and the SSC PCs to support NR2 are being built on the basis of the document.

- ICL Group has made a corporate decision that the helpdesk of choice will be Peregrine. This is likely to dictate the future of Powerhelp and can be considered in the context of a PinICL replacement

CURRENT CRITICAL PROBLEMS

- None

ISSUES

- At the pre-RAB meeting on 25th March, BA declared they were unhappy with the quality of testing for NR2 and would require to rerun MOT and E2E before giving their authorisation for NR2 Live Trial. This was rejected by Horizon in favour of a proposal to perform Targeted Tests at the end of MOT to specifically test the c120 outstanding problems. BA agreed to the Targeted Test approach but reserved their position. They offered no quantification of the extent of cause of their concern other than the 'relatively high' number of new problems identified during MOT.

Quality & Risk Report



Quality & Risk Report

MONTHLY SUMMARY

- FRM - Testing of FRM irregular encashment reports has raised major faults which are being addressed.
- Risk Management - The programme risk review has shown a fall in overall risk - major issues now being the potential impact of DSS attitude in acceptance and the lack of an end to end plan.
- System Security - Good progress with documentation of processes and the clearing of final issues.
- Quality - Policies & Standards - Segment 1 and 2 acceptance review packs have been distributed. Implementation processes remain the major gap in process documentation.
- Audit - Good progress - successful Segment 1 documentation review, minor incidents from BIT testing and a successful extraction demonstration.
- Year 2000 Conformance - POCL have raised a CR, requesting a contingency plan against R1c being live at end Q3/1999. Our response is to request a paid study - we do not expect to get approval for this until after RAB.
- Contingency Planning - considerable work is required to complete and fill gaps for successful acceptance review.

PROGRESS**FRAUD RISK MANAGEMENT****GENERAL**

- Processes:
 - Discussion of E2E processes is underway with BA.
 - EVP reporting and desktop requirements are being progressed.

RELEASE 1C

- New layouts for the FRMS reports are being defined.
- No FRM incidents were reported during March.

NEW RELEASE 2

- FRM testing (MOT environment). FCMS was tested and while a number of small issues were discovered, the core functionality operated correctly. The FRM irregular encashment reports showed major faults, which are being addressed.

NEW RELEASE 2+

- EVP: CCN 243. The CCN has been issued.

RISK MANAGEMENT

- NRO Risk Register, March. Major risks that have been identified include:
 - RODB; the requirements for 2.6 have yet to be finalised
 - Geographical Spread of RFI Offices; a significant number of offices have dropped out of the Infrastructure programme. The existence of these "holes" is likely to increase the risk of logistical problems associated with implementing offices in different areas.
 - Business continuity planning is not complete.
 - The quality of HFSOs is a key factor. ICL Pathway has no means to measure performance, and no capability to contractually mandate the removal of an individual.
 - User Proficiency Levels. It is possible for an office to go-live (having achieved Minimum Training Compliance) with a significant number of outlet staff who are unable to operate the system.
- Implementation modelling. The first version of the 'I think' model has been completed.
- Programme Risk Register, April. The overall risk score has decreased again, mainly as a result of reduction in NR2 risk. Major risks now include:
 - Planning - The lack of agreement to an E2E plan continues to be the major programme risk.
 - Acceptance - The attitude of DSS and BES boundary disagreement between BA and POCL. Internally, we have some issues in the production of documents for Acceptance review.
 - NR2+ - Main risks include the impact of NR2 (software quality and PinICL fixing) and delivery of new functionality, in particular KMS and EVP.

SYSTEM SECURITY**GENERAL**

- Three new viruses were reported to QRM in March 1999 all of which had significant impact. This has raised the urgency for the new Anti-Virus software 'Virus Scan' from NAI.
- Physical security requirements for the RoDB in Feltham have been defined.
- An assessment was prepared of risks associated with the compromise of sensitive documentation.

NEW RELEASE 2

- Work has begun to define an optimum security solution for “follow the sun” technical support from outside the UK which allows Foreign Nationals visibility of HMG data.
- Live NR2 keys have been created and distributed.
- A meeting was held with a Computer Forensics expert from Thames Valley Police to review and modify the ICL Pathway PACE certification process.
- A Testing Security Policy was written to specify how sensitive material is to be protected during testing.
- A solution to PCHL authentication [SFS 5.4.1.4] has been agreed; the SFS will be amended to reflect the agreement and a CCN raised.
- PACE, Security Awareness, Security Management Procedures and Security Event Management documents required for Acceptance have been delivered to the relevant Acceptance Stream Managers.

QUALITY

- Disaster Recovery Planning. Plans have been received from SMH and are under review. The requirement of detailed plans for acceptance review is being discussed.
- Policies & Standards Acceptance Test
 - Segment 1 and 2 review packs have been submitted.
 - QMS review has identified the largest gaps as being in Implementation processes. Jim Flynn has set up a small team to address these issues.

AUDIT

- Acceptance - BIT Regression 2 was run during March and resulted in 26 PinICLs being raised against Audit Acceptance Criteria. This equated to 8 Acceptance Incidents and a number of Observations. As at 30/03/99 there are 11 PinICLs and 3 Acceptance Incidents still Open. The Acceptance Review Segment 1 was successful in that it raised only 20 minor amendments to documentation.
- Model Office Testing Demonstration Extraction was completed and witnessed by BA and POCL.
- Internal audits:
 - Customer Services Audit - The Report was formally issued and a draft CAP is out for comment.
 - Security Policy Deployment Audit - Terms of Reference have been issued and agreed with Barry Procter, and will be conducted in April.
 - Change Management Audit is being conducted with A&TC resource.

- Implementation Audit - Draft Terms of Reference have been produced.

YEAR 2000 CONFORMANCE

- A CR has been received, requesting a contingency plan against R1c being live at end Q3/1999. Our response is to request a paid study - we do not expect to get approval for this until after RAB.
- Business Contingency plans have been reviewed from a Y2k perspective. Progress on system contingency has been good, significant work is still need for disaster recovery and there is no evidence of Implementation contingency plans.

COST DOWN

- Discussions have taken place with Girobank and a proposal is being developed to cut the cost of the 1999 FRM contract.
- Publicity material has been produced and distributed.

ISSUES

- Horizon (particularly POCL) have not agreed the One Shot Password verification.HLD. As a direct result ICL Pathway design and development deadlines have been missed, and the service cannot be provided.
- R2+ Requirements for Audit - The experiences during MOT have confirmed that the requirement for the GUI to front end the identification and marking of audit files for retrieval is paramount. A CP to accelerate the production of this software is being raised. If this is not accepted, we may find retrievals using the default Legato structure unworkable.
- Gaps in business continuity plans need to be addressed.



Business Development Report

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Business Development Report

MONTHLY SUMMARY

- POCL have initiated discussions in the area of Network Bank, although decisions are still pending outcome of Treasury review negotiations.
- POCL has re-engaged with us to progress their requirements for accepting debit and credit cards. Discussions regarding costs are on-going. We are awaiting an updated SOR.
- Work continues internally with Customer Requirements, Architecture, and Design on new products; Banking, Multi-channel, and Generics.
- Press activity: the usual calls - no specific coverage.
- The South African Project Manager and the Namibian TDA will visit the UK in April for project initiation.

PROGRESS**NETWORK BANK**

- We are now in discussion with POCL regarding Network Bank and related volumes. Work is on-going for the global requirement document being created by Dominic Barton (UK) and Brian Hauxwell (International) to form the basis of design and development activities in Systems.

EFTPOS (CREDIT/DEBIT CARDS)

- Discussions with Matthew Bruce regarding location of hot card file and subsequent costs have been on going throughout the month.
- Requirements and Design are continuing to investigate a very simple requirement which would be less integrated at the counter, but would provide the core functionality and be deliverable in shorter timescales.
- Customer education acceptance review actions are being progressed.
- The Austrian Post meeting went well; there is potential for new business and there will be a follow up visit to the UK.

CRITICAL PROBLEMS

- None.

Implementation Report



Implementation Report

MONTHLY SUMMARY

- The Implementation OMR has been completed addressing weaknesses in the organisation and ensuring the team is prepared for the Live Trial and National Rollout phases of the programme.
- The infrastructure, training and migration programmes continue to make steady progress without any unmanageable critical concerns. The profile for National Rollout has now been agreed in principle with all parties and is due to commence on 23rd August 99.
- The level of suspends in the infrastructure programme is still too high and the schedule is currently running 5 weeks behind. Action has been taken to address the cause and it is anticipated that the 5 weeks can be recovered. The current aim is to ensure sufficient stock of outlets is achieved in order to commence National Rollout with a strong back of outlets at RFI.
- Actions have been taken to initiate improvements in programme and cost control within Implementation. However there are currently a number of suppliers who are attempting to progress contract re-negotiations on the basis of requirement change. This is being resisted although it is realistic to expect some cost impact.

PROGRESS

- The Implementation OMR has now been concluded and the revised organisation has been communicated throughout Pathway, to POCL and all Implementation suppliers. The OMR was communicated to the Implementation team at a team event in Stratford-on-Avon and feedback has indicated it has been well received. The appointment of IPMs (expanded role) to the four regions was concluded in the month and the key positions of Financial Controller and Field Manager have been filled. The Field Manager joins the team in mid-April and the Financial Controller in May.
- The infrastructure rollout programme is continuing to make steady progress (see weekly statistics below) although the level of office suspends is still impacting the target beat rate. Weekly tracking of the causes of suspends is now being used to identify problem areas and to bring pressure to bear on regional teams to address these causes.

IMPLEMENTATION WEEKLY STATISTICS(For week ending 4th April 99)

Activity	This Week	Cumulative
RGM letters issued	300	11,359

MIB events held	8	215
MIB Attendees	338	10,644
Site surveys undertaken	302	8,384
Site re-surveys required	123	3,157
Site re-surveys undertaken	121	2,742
Site modifications done	88	1287
Site preparations done	193	2,787
Sites RFI	193	2,787
User Awareness Events Held	5	5
UAE Number of Offices	53	53

- The number of non-ISDN sites has now reduced to 351.
- The training programme is also making steady progress, with the first User Awareness Events for Live-Trial and the first HFSO training course having been completed during the month. There had been some difficulties in being ready for the HFSO training programme, although these were overcome and the programme dates were achieved. Feedback from the first HFSO course, a dry run, has been used to revise and improve the course to the customer's satisfaction such that future courses will meet with trainee and POCL expectations.
- Readiness for the migration of live trial outlets and migration activities in general has progressed satisfactorily during the month. The final two Transition Executives, required for migration support activity, joined the team this month and will be ready to support migration during Live Trial. Migration tools, processes and key suppliers are briefed and ready for the migration of Live Trial outlets.
- The HFSO training course has been developed, dry run with 12 HFSOs and the course has been revised based on student feedback. A draft HFSO sub-contract has been passed to POCL and feedback has been received. POCL are resisting the formality of a sub-contract for the HFSO work (see Issues).
- Preparations for the migration of Live trial outlets are at an advanced stage. A migration rehearsal has been scheduled for Easter weekend and the first migration of a live trial site is scheduled for 11th April 99. Discussions are continuing with regard to the need for a rehearsal of an ECCO outlet migration rehearsal.
- The revised profile for the National Rollout installation programme has been agreed. This profile has a gradual ramp up to a target rate of 334 offices and also allows for Christmas stand down periods. The National Rollout installation programme is due to commence on 23rd August 99.

CURRENT CRITICAL PROBLEMS

- None to report.

ISSUES

- Continuing high level of suspends in the infrastructure programme.
- Revised counter capping limits, although agreed by POCL are still restricting the modifications programme. It is expected that this will be resolved in the week commencing 12th April through ratification of the disruption proposal.
- High volume of exceptions in infrastructure programme has put regional teams under considerable pressure. It is anticipated that the support provided through the appointment of the Field Manager and the addition of new recruits into these teams will alleviate some of the strain.
- A number of Implementation suppliers have made approaches to re-negotiate costs based on increasing complexity, delays and changes in original contract assumptions.
- POCL have requested a 10 day training window for ECCO offices coming into live trial. This request has come at a late stage in the programme although it is anticipated this request can be successfully navigated through the change control process. Actions are in hand to address this issue for National Rollout.
- POCL are resisting and hesitating over agreeing to the formality of a HFSO sub-contract. This will be progressed within Pathway and with POCL in the week commencing 12th April 99.
- The Implementation team are behind schedule for the preparation of acceptance documentation. Additional administrative support has been acquired for one month to address this.

COSTS

- Implementation is aiming to improve cost control processes and reporting through the appointment of a Financial Controller and the creation of a Business Operations team. This will provide the infrastructure for co-ordinated programme and cost monitoring and control within the Implementation scope of work. It is anticipated that key appointments and a more refined reporting and control mechanism will be in place within 3 months.

- Re-negotiation of the major sub-contracts with WT and Exel, to reflect changes from the original contracts, is at an advanced stage. It is anticipated this activity will be concluded during April 99 and that the creation of a revised financial baseline will then be achievable. A strong stance is being taken during the negotiation process to limit the cost impact although some increases, attributable to changes in requirements is unavoidable. Some, but not all, cost increases, will be recoverable from our customer.



Organisation & Personnel Report

Organisation & Personnel Report

MONTHLY SUMMARY

- The number of identified vacancies fell due to excellent progress in recruitment and a decrease in the number of new positions being approved. Work is in hand to ensure space is available to accommodate these new recruits. Other key activities were associated with the preparation for the salary review and the Employee Opinion Survey.

PROGRESS

- Appointments in March:

External Recruits	7
Transfers	2
A&TC	4
Linkwise	0
Freelance	8
Temporary	1
Total:	22
- Known joiners:

External Recruits	9
Transfers	1
A&TC	1
Linkwise	0
Freelance	3
Total:	14
- Offers outstanding:

External Recruits	3
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PROGRESS

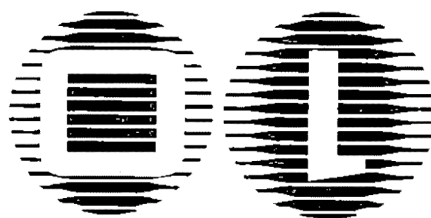
- The number of registered permanent vacancies decreased from 82 at the end of February to 46 at the end of March. Key vacancies have been filled in Implementation, including the Field Manager and Financial Controller positions and reasonable progress has been made filling vacancies elsewhere in Implementation. There are, however, still a significant number of vacancies to fill.

- Two open evenings were held in March, one in the London area and one in Manchester. Line managers supported both events and in general those attending were a good match for our advertised requirements.
- ICL Pathway attended the VISIT recruitment fair in Manchester. This was planned in conjunction with the Manchester open evening and produced candidates for roles in both Kidsgrove and Feltham.
- A graduate assessment centre was held in order to recruit technical graduates. Four offers have been made.
- The new structure for Implementation was agreed and announced. The ongoing programme of Organisation and Management Reviews continued, due for completion on April.
- Preparation for the June salary review was completed. A timetable was agreed and managers were provided with salary information about their employees as well as external benchmark data to assess market competitiveness. Meetings to finalise the review will take place in April.
- The necessary work to allow ICL Pathway to participate in the 1999 Employee Opinion Survey was completed. This will be issued to all employees in early April.

CURRENT CRITICAL PROBLEMS

- There is a pressing need to secure more space within FEL 01 to accommodate new recruits to the programme. ICL Properties are currently exploring possible solutions but there is a need for a speedy solution before the available space is filled.

Post Office Client Report



The Post Office - Client Director's Report

MONTHLY SUMMARY

- The White Paper "Modernising Government" has been published.
- We are progressing the Service Management Tools bid.
- The SCS reorganisation of Post Office will also affect the IS/IT community.

MODERN GOVERNMENT

- The White Paper was published on 30th March. The potential role of the Post Office is outlined as expected, with no major surprises. The real work is to come in establishing where departments/local authorities/RDAs will commit budget and resources to new forms of electronic service delivery, utilising the Post Office/Pathway.

1999 BUSINESS

- Post Office revenues have held up well, with MC expecting £3m in March after £1.6m in Jan and over £3m in Feb. The March outturn will be below expectation owing to the Post Office's capital squeeze - which will bite hard in 1999/2000.

CURRENT CONTRACTS

TECHNICAL RESOURCES SUPPLY CONTRACT

- Post Office bureaucracy is impeding the take-off of the work packages opportunity, of which there are 400 outstanding. The ICL Onsite team have been working hard to help PO sharpen its processes. By end-March over £1m of orders had been taken under this contract since its inception in July 1998.

ONE STOP SHOP

- The Orange Alert at Parcelforce has now been closed by OSD following 5 weeks achievement of the target SLA call-to-fix level.

NEW BIDS

SERVICE MANAGEMENT TOOLS

- The response to RFI and presentation were well received and ICL is shortlisted together with IBM and DMR. The ICL Reference visit to Celestica went well. Our decision is imminent on how to respond to the "Invitation to Negotiate". A preferred supplier will be selected by end-April.

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. The first response has been submitted, RFI will arrive in May and ITT in August.

POCL INTERNET

- Bid lost to Hyperlink - the debrief is reported separately.

REORGANISATION

- As part of SCS (Shaping for Competitive Success) the IS/IT central rôle of Duncan Hine will be strengthened, with his unit being responsible for the deployment (not just development) of IS/IT strategy. As part of this the ownership of all IT infrastructure will migrate, at some point in 99/00, from the current (pre-SCS) business units into central IS. The major challenge facing IS/IT is turning the Info Systems to reflect the new Business Unit structures. This is seen as a major task which will severely constrain the implementation of any new IS initiatives.

COST DOWN

- No change.