

ICL Pathway
Bringing
Technology
to Post Office
Counters

**Monthly
Progress
Report**



January 2000





ICL Pathway Monthly Progress Report

Contents:

- 1** Managing Director's Summary
- 2** Development Report
- 3** Commercial & Financial Report
- 4** Customer Requirements Report
- 5** Customer Service Report
- 6** Quality & Risk Report
- 7** Business Development Report
- 8** Implementation Report
- 9** Organisation & Personnel Report
- 1**  Post Office Client Report

ICL Pathway

Programme Monthly Report

Ref: PA/REP/046
Version: 1.0
Date: 16/02/2000

Document Title: ICL Pathway Monthly Report – January 2000

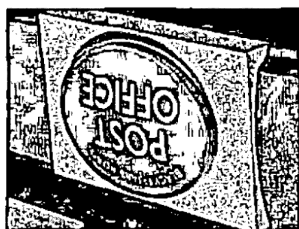
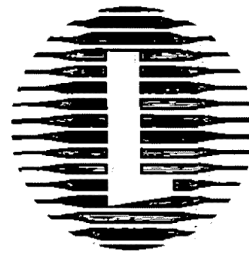
Associated Documents:

	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
M. Stares	Managing Director		

Managing Director's Summary



Managing Director's Summary

PROGRAMME PROGRESS

- £105m payment for the full first Roll-out milestone was received on time in early December.
- Rescheduled banking arrangements were satisfactorily concluded during December. To secure the banks' co-operation, it was necessary to agree to an increase in their margins (cost £3m). These are currently being revisited by Fujitsu directly with the banks.
- Arrangements were agreed with POCL during January, which enabled Roll-out to recommence on time on 24th January. These involved better definition of mutual responsibilities as to operating the service, but no new contractual commitments as such. Specifically, the 'Third Supplementary Agreement' acknowledged completion of all final Acceptance dependencies. Acceptance has thereby been put to bed and a new era begun.
- Roll-out has commenced and is on track with approximately 300 post offices migrated in the first two weeks. This will quickly increase to 300 per week.

PROGRAMME UPDATE

- Development and delivery of the EPOS software was achieved ahead of the end of December target and operated successfully during the two week evaluation. This enabled the final acceptance to be achieved along with the decision to recommence National Roll-out.

ROLL-OUT

- National Rollout stopped as planned for an eleven week break over Christmas and the new Millennium after 1856 Post Offices had been installed and migrated which was slightly ahead of plan. It re-started on schedule on 24th January and to date has run to forecast with the 2000th office being migrated on Tuesday 1st February.

KEY ISSUES

- Two current issues exist that are being addressed:-

- The plan for delivery of CSR+ is still achievable but has used most of its embedded float and contingency. This along with the need to intercept a new Reposte release, which is behind schedule, is putting existing dates at risk.
- Changes in the architecture and components between the X365 PC, currently used for National Roll-out are larger than expected. This causes a potential three month gap in National Roll-out in Q3 with associated P&L implications. Urgent action is being taken to mitigate the risk. As a result FJ will build additional X365 motherboards and FSC will produce additional X365 PC's (7,000 offered to date with a target of 13,500). When extra production is confirmed this will no longer be an issue.

CUSTOMER SERVICE

- Since our last report, much of CS energy has been directed at addressing Acceptance and resolving problems with the Reference Data interface to PO.

HELPDESK PERFORMANCE

- Service provision for post offices that were rolled out in 1999 proved to be very stable and was accompanied by a reduction in incidents being logged at the Horizon Systems Helpdesk (HSH). Although we failed to agree with PO on the achievement of specific performance measures for Cash Account calls, PO did acknowledge that the HSH had shown a marked improvement. Relationships between the ICL and PO helpdesk staff are improved.
- The Corporate Red Alert with OSD for poor SLA performance has been re-graded to Divisional Alert. HSH Service improvements are still necessary in the areas of call answering and call abandonment and second line support filtration rates.

REFERENCE DATA INTERFACE

- The key issues of verifying the accuracy of reference data before its authorisation by PO for propagation to the live estate, was jointly reviewed and new plan was produced to enable National Rollout to recommence by 24th January. A more robust interface agreement was agreed on 14th January.

KEY ISSUES

- Recruitment to the System Support Centre remains a concern. Only 23 applicants responded to a recent national and local advertisement. Key skills required are Microsoft NT and Visual Basic. These cannot be sourced from A&TC
- Powerhelp system is on Corporate Red Alert suffering from System Performance and Network problems. This is a risk to roll-out.

NEW BUSINESS

- Now that Acceptance has been achieved and National Roll-out continues, there are signs that discussions will take place again on developing the service. The main forward move is a joint team meeting with the Post Office Network on 8th February. The principal aims of this event are to lay the ghosts of the past to rest and to develop a more positive approach to the future, specifically we want to establish an MD level Steering Board. We have been warned by PO to expect a difficult meeting. The principal areas of business opportunity are:

NETWORK BANKING

- Post Office issued a Request for Information to the marketplace in December. The business requirement was sketchy, but we have submitted a comprehensive ICL response utilising Horizon at the desktop and the network with a Lifestyle Banking backend interface to the banks.
- Post Office are currently reviewing 15 responses and expect to announce a shortlist mid-February and to then issue an ITT.
- Internal politics within Post Office is complicating this as the tender has been issued by the new Network Banking unit, led by their IT Director who is not a fan of Horizon. Our current strategy is to involve Stuart Sweetman, Group Director who is responsible for both Network Banking and Post Office Network and to seek nomination of Pathway as a nominated contractor.

MODERN GOVERNMENT

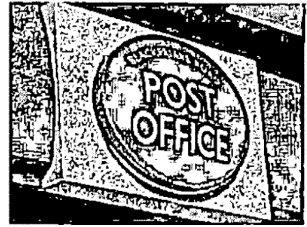
- There has been very little forward movement on Modern Government. There appears to be no joined up approaches from government despite the efforts of CITU and other like organisations. We are in continuous discussions with Post Office to help find opportunities and Scotland appears to offer potential as devolved government allows them to take faster initiatives.

RE-ENGINEERING

- Post Office are in the process of producing a Service Development Plan which will define their prioritised list for re-engineering opportunities. This will be in place by end of February, at which time they should engage with Pathway.

FINANCE/COMMERCIAL/BUSINESS PLAN

- The level of outstanding change control notes has come down dramatically, and the process is now working as it is supposed to.
- The DSS has settled and paid for the transition assistance we gave them to migrate off the Benefit Payment card (£2m).
- Significant cash savings were secured in both December and January. Cash timing savings at each month end were in the range £5-10m. These reflected careful supplier and cash management, particularly around the quarter end.
- Real operating spend savings of some £2m have been achieved as a contribution towards cost-down.
- The Business Case is the subject of ongoing review and scenario planning.
- The 1999/00 PBT forecast has been increased by £6m to £38m (£20m PBT before release of provisions). This project accounting method is agreed with PwC but the full term profit projection to be used as a prudent basis for profit recognition has not. A process has been agreed with PwC to do this but until that has been concluded, the 1999/00 profit increase should be treated as 'at risk' to the level of £6M.



Development Report

Development Report

MONTHLY SUMMARY

- There have been a number of incidents requiring code fixes to the EPOSS reconciliation reports facility introduced into the network in late December, and a few faults identified in the counter applications themselves, otherwise the 4th line support effort for the live system is in line with our resource planning expectations. The recent fix to the counter printer has reduced the number of reboots occurring in the outlets to a level far exceeding the target agreed with Post Office.
- The results from the Riposte 6 validation exercise indicated that it would unwise to include it in the CI3 release. More intensive testing has been scheduled and we now plan to intercept Riposte 6 in CI4. The final integration tests for CI3 commenced in January as planned but we experienced severe difficulties with the network configuration on the resilience and performance rig which delayed progress. A change in approach was agreed internally which mitigated against this slippage and ensured that the level 1 milestones were achieved on schedule. The release is due to be installed in the Data Centres slightly earlier than originally planned on 26th/27th February and is followed by a less aggressive roll-out. This will enable us to monitor the VPN performance and optimise its operation before the facility is activated across the entire estate.
- The network/router upgrade agreed towards the end of 1999 is scheduled to take place immediately following the CI3 release. This will ensure that we have sufficient capacity to handle the increased traffic identified as roll-out gathers momentum.
- Progress during system testing of the main application release (CI4) which includes KMS, LFS and AP Smart has improved during January and we now hope to complete the majority of the final passes in February and March as originally planned. This means that it is unlikely that we will need to invoke the contingency arrangements built into the joint plan which allowed the final/audit pass to be run in parallel with the early stages of customer end to end testing (PET).
- The main pass of B&TC testing for CI4 is expected to commence on 10th February as planned. Horizon have agreed to locate their staff conducting the End to End (PET) and User Confidence Testing (UCT) in Feltham. This is a major breakthrough and will contribute enormously to the success of these important stages. Discussions regarding the 'rules of engagement' during these testing activities are well advanced and agreement should be reached very shortly.

- Recruitment is still a critical issue and although progress is being made we have not achieved the planned resource levels. This has inevitably placed the existing staff under additional pressure and resulted in some lesser tasks being delayed e.g. documentation preparation for ISO certification. In addition, the lack of new development commitments for the future will shortly cause our staff to look elsewhere for work. It will become increasingly difficult to hold onto the key individuals.
-

PROGRESS

- The System Test teams for KMS, TPS, LFS, APS, OCMS and Data Warehouse succeeded in recovering some of the time lost before Christmas and now expect to complete the main and final passes in February and March respectively. The EPOSS and infrastructure teams expect to complete theirs by the end of March. This is a considerable improvement over last month and means that it will not be necessary to utilise the contingency built into the level 1 plans. This shows the final audit pass stages running in parallel with the early phases of the customers end to end testing.
- Discussions with AP Clients continue to be delayed preventing agreements being reached on the interface definitions. The programme milestones specify that 13 new interfaces will be agreed by the end of March 2000. This can only now be achieved if we issue 13 generic specifications for review mid February and resist as much change as possible. Time will tell whether this approach will be successful.
- All major Change Proposal (CP) development is complete on EPOSS. Resources are now devoted to fault analysis and clearance. All but one of the Riposte desktop 2.2.3 issues have now been resolved. The completion of the TIP repair facility committed to in the last 'supplementary agreement' is planned to be completed mid March 2000. Recruitment is still a worry and some lower priority work is being affected. Unfortunately, this includes corrective action deemed essential if ISO certification is to be achieved.
- The infrastructure testing (auto-configuration, Tivoli, audit, message broadcast, training mode, Maestro, FTMS and Network) continues to be dogged by problems in the test rigs. These are being gradually resolved but it is a source of considerable frustration for the team.
- Final Pass system testing of the Data Warehouse is achieving a very high success rate, 100% from 367 test conditions, but is running behind schedule. Action has been taken to ensure that the overall end date is still held.
- The RODB version 2.6 system test final pass completed 2nd February and the report is now in production. A new plan for introducing the Secure Managed Environment (SME) later has been agreed with the implementation team. A change proposal to remove OCMS from the RODB platform has been raised to ensure that it is not adversely affected by this movement.

- The validation exercise carried out on Riposte 6 both here and in Boston indicated that it would be sensible to withdraw this version from the CI3 release and plan to intercept it later in the year following further performance and integrity tests. This was agreed internally and with the customer, as there are no dependencies with the other software in the release.
- The VPN functionality tests in the large B&TC rigs has been successful and the focus now turns to the resilience and recovery aspects. The CI3 release will be implemented in the data centres 1 week earlier than planned and will take 2 weeks longer to complete. This change in approach is necessary to allow for close performance monitoring and network traffic balancing to take place before the entire estate is activated.
- The B&TC main pass testing of the CSR+ software commenced on the 10th February as planned with the rig building activities. The test scripts will be run from the 19th February onwards until completion 3rd March.

COST DOWN

- A detailed review of all current and future expenditure was completed in January, and as a result a reduction in the 1999/00 financial year and the overall forecast for development was submitted.
- The Technical Design Authority is seeking ways of achieving a substantial reduction in the volume of traffic across the network. If successful this will result in a significant annual cost savings for the remainder of the contract.

CURRENT CRITICAL PROBLEMS

- None

ISSUES

- The speed and accuracy of the rig building process continues to demand close management attention. Improvements are being made and some results are visible but further work is required.
- We continue to validate the replacement PC's (Xdi+) for the current 365's. The results to date suggest that software changes are required and previously unplanned regression testing must take place but this is not as great as first thought. Recent negotiations have confirmed that it will be possible to procure more 365 PC's which has removed the pressure on the CSR+ delivery schedule.

- BT and Energis have indicated that there will be a significantly greater number of outlets not able to connect to ISDN than first thought. The model used by BT to establish ISDN feasibility would appear to have been flawed. They are suggesting that we should consider a satellite solution and this is being evaluated. A demonstration is being arranged for mid January. We are also asking them to respond to us formally stating the precise position and recommending a way forward.
- A proposal for the lightweight mobile configuration required to operate in a variety of locations throughout the UK, has been submitted to PONU. The proposal now needs to be formally ratified via the agreed procedures before any major development or hardware production commences.
- We are currently carrying out a detailed investigation of the Service Level Agreement Monitoring (SLAM) functionality included in the Data Warehouse. It is not yet clear whether we have a contractual exposure requiring significant resources to rectify.
- PONU have recently insisted that we introduce a software interface to a new type of scales (Avery Berkel 702). These scales enable heavier packages to be weighed and are normally shared with a number of counters. This latter aspect creates several technical difficulties and we are also unsure whether we can obtain a software driver.
- The volume of messages was reduced by the removal of Benefit Payment Card last summer but these savings have been offset by a number of factors. For example, an increase in the OBCS traffic, a larger number of Riposte administration messages than anticipated and a change in the behaviour at the counter during cash accounting periods. This will require more power at the correspondence layer. The full implications of this are still being evaluated.
- We are contracted to complete the migration of all the AP Client from the current Post Office HAPS system by the end of roll-out. In order that this may be achieved we must agree the interface specifications for all clients by the end of March 2000. To date, POCL have not been able to arrange meetings with their clients so that this task can be completed. This has been escalated to senior PONU managers and they have agreed to expedite.
- It is now very unlikely that the SPM (British Gas Smart Card) will be included in the CSR+ release in September 2000. They have changed their interface specification without notifying either PONU or ourselves. They have also refused to allow ICL Pathway personnel on site to install the required interface hardware. This issue has again been escalated to senior PONU management.

COSTS

- The development forecasts demonstrate that even with the additional development resulting from the rectification plans, costs remain under tight control and subject to regular financial reviews throughout the year.



Commercial & Financial Report

Commercial & Financial Report

MONTHLY SUMMARY

- Since signing the Third Supplementary Agreement on 14th January, the focus has switched away from Acceptance related matters and on to forward-looking Business Plans, both Pathway's and POCL's.
- The Third Supplementary Agreement opened the way for Roll out to resume on schedule on 24th January. With all Acceptance related conditions now dealt with, revenue is being accrued at the rate set out in the contract as each post office is implemented (at the rate which applies between the First and Second Payment Milestone).
- Significant effort has gone into calibrating the Pathway cost base and into interpreting actual performance as it applies to the various cost drivers. Month on month spend has been running below Plan since May, due to a combination of managed deferrals and unplanned resource shortfalls, but some cost drivers have been running adverse to the May Business Case.
- The Business Case has been further calibrated against bottom up forecasts by unit and also against the Risk Register. The Business Case includes provision for the most likely risk outcome for both Options A and B.
- The main drive has continued to be on Option B, the intention being to qualify each of the identified opportunity areas under Business Development within three to six months. The bottom up resource forecasts are based on 'Option A+', which equates to Option A level of resourcing within an Option B organisation structure.
- PC sourcing and pricing issues are coming to a head. Progress has been made on both technical options reducing the risks considerably, but the cost of the additional 365s (only just received) has still not been satisfactorily resolved, with the most recent quote at a premium of £70 on the 365. Without all the facts, it is impossible to make an objective assessment of how many 365s to buy before cutting over to the new PC (if indeed we do go to a second PC).
- The De La Rue settlement in relation to BPS termination remains to be confirmed in writing, and this continues to be forecast for mid-March.
- The 1999/2000 profit forecast has been increased to £38m. PwC have signalled agreement in principle to the revenue and provisions accounting treatment, and have not raised any objections to the 9.3% profit margin being used for profit recognition (cf. total project to go 12%). However, this is not yet a done deal.

PROGRESS

- Restart of roll out, with solid performance achieved thus far.
- Financial performance remains well within forecast.

- Convergence of understanding and numbers between bottom up forecasts and the Business Case continues to improve, with risks, opportunities and tasks increasingly being accepted as actions by the line unit directors.
- The beginnings of a more constructive dialogue with the POCL management team.
- Restart of roll out, with solid performance achieved thus far.
- Financial performance remains well within forecast.
- Convergence of understanding and numbers between bottom up forecasts and the Business Case continues to improve, with risks, opportunities and tasks increasingly being accepted as actions by the line unit directors.
- The beginnings of a more constructive dialogue with the POCL management team.

RISKS

- Ability of the Post Office to move quickly in relation to 'new business' commitments.
- The CSR+ delivery schedule is under pressure, particularly in relation to rig building
- Planning and managing the right level of skilled resources to complete CSR+ on the one hand and, when it does happen, respond to POCL demand for new business on the other.
- Ability of A&TC and OSD to support the necessary resourcing and performance levels.

ISSUES

- The need to establish 'rules of engagement' with POCL which will enable new business without trading off margins.
- The PC 'buy' judgement. The viability of the XDI+ as replacement for the current-365 machine is in serious doubt. FJ-S have indicated a last time buy date of July this year, which is too soon for us. The replacement Siemens originated machine, the SX, only has two slots against our requirement for three. FJ-S need to confirm their ability to satisfy this requirement before we can judge the last time buy of the 365. The price gap has not yet been resolved and this plays into the mix equation. MCD are providing assistance on underlying cost and competitive price benchmarking.

- Resourcing: current HR direction to do all new resourcing through A&TC, even for CS activities which will be on-going support requirements for as long as the contract runs, will adversely impact the Business Case by some £6m. The mix impact (A&TC versus in-house staff) is aggravated by the recent sharp increases in A&TC man-rates (up by 25% since May and fast approaching freelancer rates). A&TC are having to recruit to meet our skills requirements. Although the cost increase to ICL Pathway only represents a shift of profit from ICL Pathway to A&TC, it is actually doing nothing to increase the utilisation of current staff on the bench and is inappropriate for long term service related resourcing (wrong allegiance). Price and allegiance irrespective, A&TC's ability to satisfy our needs for skills has been inadequate thus far. Serious levels of skill shortfall are being compensated by additional overtime and delaying work.

FINANCIAL PERFORMANCE

- The Controller's report follows, as do summaries of the Option A and Option B business cases.

ICL Pathway

Commercial & Financial Monthly ReportRef: PA/REP/046
Version: 1.0
Date: 16/02/2000

Planning Case:		Pathway Business Case					
Option A							
FISCAL YEARS, £M		March	1999/	2000/	Total	Total Project	
		1999	2000	2001	To go	Total	May99
		cum				Oct99	
FINANCIAL SUMMARY							
REVENUE							
Base Contract	2	226	210	899	901	897	900
New Business		0	0	44	44	0	44
Total	2	226	210	943	945	897	944
COSTS							
Opex - Base Contract	199	126	126	550	749	731	759
Opex - New Business		0	0	35	35	0	35
International	2	0		0	3	0	2
Treasury recovery		-8		-8	-8	-8	-8
Liquidated damages - SLAs	0	0	2	8	8	12	8
Sub-total	201	119	128	585	786	735	796
Depreciation	32	18	33	111	143	145	142
Utilisation of BPS Provisions		-11	-19	-49	-49	-68	-50
BPS subcontractor termination		2	6	8	8	27	9
Losses on forward exchange cover		2	2	4	4	3	4
Interest	18	11	11	24	42	38	43
Allowance for Opex Risk		0	5	19	19	0	17
Unallocated Cost Task		0	0	-7	-7	0	-17
Transfers (to)/ from WIP	-247	65	20	132	-114	-114	-114
PBT before extraordinary item	-2	20	23	116	113	132	114
Write off of BPS spend to date	114			0	114	114	114
Provisions for BPS spend not yet incurred	68			0	68	68	68
Release of excess BPS provision		-19	0	-19	-19	0	-18
Pathway PBT	-184	38.8	23	134	-50	-50	-50
Group intercompany profits	2	8	6	33	35	35	35
PBT - ICL GROUP	-182	47	29	167	-15	-15	-15
Project PBT % before extraordinary item		9.0%	11.0%	12.3%	12.3%	14.7%	12.1%
CAPITAL SPEND including Risk	56	56	29	86	143	145	142
PROJECT CASH FLOW after interest							
Discrete	-252	-15	-14	203	-50	-50	-50
NET PRESENT VALUE AFTER TAX (at Pathway level)						- 75	- 77
							- 76

ICL Pathway

Commercial & Financial Monthly ReportRef: PA/REP/046
Version: 1.0
Date: 16/02/2000

Planning Case:		Pathway Business Case					
Option B							
FISCAL YEARS, £M	March	1999/	2000/	Total	Total Project		
	1999	2000	2001	To go	Total	May99	Oct99
	cum						
FINANCIAL SUMMARY							
REVENUE							
Base Contract	2	226	210	899	901	897	900
New Business		0	0	44	44	0	44
Total	2	226	210	943	945	897	944
COSTS							
Opex - Base Contract	199	126	126	550	749	731	759
Opex - New Business		0	0	35	35	0	35
International	2	0		0	3	0	2
Treasury recovery		-8		-8	-8	-8	-8
Liquidated damages - SLAs	0	0	2	8	8	12	8
Sub-total	201	119	128	585	786	735	796
Depreciation	32	18	33	111	143	145	142
Utilisation of BPS Provisions		-11	-19	-49	-49	-68	-50
BPS subcontractor termination		2	6	8	8	27	9
Losses on forward exchange cover		2	2	4	4	3	4
Interest	18	11	11	24	42	38	43
Allowance for Opex Risk		0	5	19	19	0	17
Unallocated Cost Task		0	0	-7	-7	0	-17
Transfers (to)/ from WIP	-247	65	20	132	-114	-114	-114
PBT before extraordinary item	-2	20	23	116	113	132	114
Write off of BPS spend to date	114			0	114	114	114
Provisions for BPS spend not yet incurred	68			0	68	68	68
Release of excess BPS provision		-19	0	-19	-19	0	-18
Pathway PBT	-184	38.8	23	134	-50	-50	-50
Group intercompany profits	2	8	6	33	35	35	35
PBT - ICL GROUP	-182	47	29	167	-15	-15	-15
Project PBT % before extraordinary item		9.0%	11.0%	12.3%	12.3%	14.7%	12.1%
CAPITAL SPEND including Risk	56	56	29	86	143	145	142
PROJECT CASH FLOW after interest							
Discrete	-252	-15	-14	203	-50	-50	-50
NET PRESENT VALUE AFTER TAX (at Pathway level)					- 75	- 77	- 76

ICL Pathway

Commercial & Financial Monthly ReportRef: PA/REP/046
Version: 1.0
Date: 16/02/2000**ICL Pathway - January 2000 Finance Highlights**

£000s	Mth. Actual	Mth. F'cast	Variance	YTD Actual	Notes
Revenue	4,537	3,471	1,066	166,617	1
Project Cash Costs	(8,489)	(14,497)	6,008	(83,063)	- 2
Depreciation	(1,683)	(1,707)	24	(12,989)	
Interest Cost	(511)	(588)	77	(9,709)	
Profit / (Loss) before Capitalisation	<u>(6,146)</u>	<u>(13,321)</u>	<u>7,175</u>	<u>60,856</u>	
Allocation of result before Capitalisation:					
(Additions to) / Reductions in Project W	(6,635)	(13,624)	6,989	45,749	
Project Profit Recognised	489	323	166	15,489	1
International Activities		(20)	20	(381)	
Profit/ (Loss) before Provision Release	489	303	186	15,108	
Provision Release				10,000	
Total Profit / (Loss) Declared	<u>489</u>	<u>303</u>	<u>186</u>	<u>25,108</u>	

Balance Sheet	Actual	Forecast	Variance	
£000s			better/(worse)	
Net Fixed Assets	42,658	44,248	1,590	3
Project WIP	83,697	90,685	6,988	
Other Working Capital	(12,501)	(17,092)	(4,591)	4
March 1999 Provisions	(46,395)	(46,395)		
Net Borrowings	(74,827)	(79,000)	4,173	
Total	<u>(7,368)</u>	<u>(7,554)</u>		
Share Capital	151,700	151,700		
Retained Earnings Deficit	(159,068)	(159,254)	186	
Total	<u>(7,368)</u>	<u>(7,554)</u>		

Headcount	Actual	Forecast	Variance	
Permanents	226	228	2	
ITs	10	10	0	
Freelancers	191	200	9	
ICL Contractors	143	127	(16)	
Total	<u>570</u>	<u>565</u>	<u>(5)</u>	5

1. Revenue and Profit:	Actual	Forecast	Variance
Installed Offices at end of month:	1,969	1,922	47

Basis of revenue accrual, re. next Milestone Payment:

No. of installations since last milestone payment	169	122	38.5%
Current accrual rate is £23,351 per office			

£000s

Milestone Accrued Revenue	3,946	2,849	1,097
RFI Invoicing	104	100	4
Installation-based Implementation Cost	425	415	10
CCNs	62	100	(38)
Other		7	(7)
Total Revenue	4,537	3,471	1,066

Profit Recognition for the month was at the rate of 9.3% on year-to-date UK project expenditure. The £489k profit included a positive adjustment of £67k in respect of project revenue already booked during the year.

2. Cash Costs

Main Variances arose as follows:

The recent trend of lower than forecast invoicing levels on the implementation sub-contracts continued in January, with these areas accounting for over £4.9m of the overall £6.0m favourable cash cost variance.

The OSD charges and Energis network communications charges were also lower than forecast, as were most resource related costs.

£000s	Actual	Forecast	Variance
Operating Costs:			
OSD Data Centre Services	544	683	139
OSD Field/Help Desk Services	605	769	164
Energis Charges	312	409	97
Resource Related:			
Own Staff and Travel	950	1,077	127
Freelancers	1,848	1,995	147
ICL Contractors and Internal Charges	1,069	1,326	257
Subcontracts:			
WTL Site Mods & Preps	688	2,152	1,464
Pearce Site Mods & Preps	313	2,004	1,691
Knowledgepool Training	890	2,048	1,158
Celestica Hangaring Services	127	311	184
Exel Delivery Services	84	520	436
Other 3rd Party Services	300	298	(2)

ICL Pathway

Commercial & Financial Monthly ReportRef: PA/REP/046
Version: 1.0
Date: 16/02/2000**Other Costs:**

Maintenance	56	75	19
IT & Communications	94	148	54
Premises	212	240	28
Exchange Differences	177	200	23
All Other Costs	220	242	22
	<u>8,489</u>	<u>14,497</u>	<u>6,008</u>

-

3. Fixed Assets

Fixed asset additions were £1.6m lower than forecast, the main variances arising in counter equipment, network installations and the later than forecast addition of the additional router capacity at the data centres.

£000s	Actual	Forecast	Variance
Training Systems/Upgrades	26	171	145
Counter Equipment	2,786	3,528	742
Energis PO ISDN Installations	46	323	277
Router Equipment	0	498	498
Own Use IT Equipment	35	32	(3)
Test and Support Equipment	68	40	(28)
	<u>2,976</u>	<u>4,592</u>	<u>1,631</u>

4. Working Capital

Core Working Capital (i.e. excluding Project WIP and the March 1999 provisions) was £4.6m "worse" than forecast, due mainly to the extremely low supplier invoicing levels for implementation subcontracts and fixed asset additions. Fuller accruals will be made in future in order to minimise such variances.

The main elements of Working Capital are as follows:

£000s	Actual	Forecast	Variance
Debtors on invoices actually raised	666	763	97
Accrued Revenue	4,259	3,437	(822)
Escher Licence Fees paid in advance	763	763	0
WTL "Float"	1,250	1,250	0
Other Prepayments	595	1,009	414
VAT	1,342	1,039	(303)
3rd Party Trade Creditors	(5,993)	(10,909)	(4,916)
InterCompany Creditors	(8,343)	(9,779)	(1,436)
Accrued Expenditure	(5,040)	(4,663)	377
Portion of £8m Treasury Cont'n not yet l	(2,000)	0	2,000
	<u>(12,501)</u>	<u>(17,090)</u>	<u>(4,589)</u>

The forecast omitted to include the £2m Treasury contribution balance. If this had been included, the variance would have been larger, but in line with the expenditure variances.

5. Headcount Analyses

Thanks mainly to the central layoffs in the January Forecast submission, overall headcount was close to forecast. However, the underlying trend of incorrectly overestimating short-term increases in staff movements within the actual month of the forecast is still a worrying feature, particularly within the Development departments.

	Actual	Forecast	Variance
Development & Programmes			
Permanents	56	65	9
ITs	4	3	(1)
Freelancers	179	194	15
ICL Contractors	121	126	5
Total - Development/Programmes	360	388	28
Customer Service			
Permanents	55	57	2
ITs	4	5	1
Freelancers	3	3	0
ICL Contractors	9	7	(2)
Total - Customer Service	71	72	1
Implementation			
Permanents	82	82	0
ITs			0
Freelancers	7	7	0
ICL Contractors	11	18	7
Total - Implementation	100	107	7
Central Departments			
Permanents	33	36	3
ITs	2	2	0
Freelancers	2	2	0
ICL Contractors	2	6	4
Total - Central Departments	39	46	7
Central Forecast Adjustments			
Permanents		(12)	(12)
ITs			0
Freelancers		(6)	(6)
ICL Contractors		(30)	(30)
Total - Central Adjustments	0	(48)	(48)
Total Company			
Permanents	226	228	2
ITs	10	10	0
Freelancers	191	200	9
ICL Contractors	143	127	(16)
Total - ICL Pathway	570	565	(5)



Customer Requirements Report

Customer Requirements Report

MONTHLY SUMMARY

- With Acceptance now behind us, except for some inevitable loose ends, the team has restarted Requirements work, producing business case material for Network Banking, and Pen Pictures of the propositions for each prospect area. It has also picked up activities in the CSR/CSR+ areas that had been put on the back burner.

DETAILED PLAN ACTIVITIES**NEW BUSINESS REQUIREMENTS**

- We contributed to the Network Banking response to the Post Office's RFI, reportedly well received. The key issue remains the practical nature of the business engagement model between POCL and the banks, and the associated end-to-end business case.
- A basic cost-revenue model was produced. There is work to do on re-apportioning costs, but the business case is not strong unless more substantial business volumes can be generated (more than eight major participating banks) or the 2005 limit of the current contract can be extended. Boiled down to one vector, a POCL transaction charge of 60p to the banks is currently indicated, whereas 40p is probably all the market will bear.
- The relationship of this initiative with that on POCL ATM provision is not clear, either in terms of business objectives or any potential technical synergy with the Horizon infrastructure. It is not really sensible for whoever wins the suburban/rural ATM business to install their network connection when our ISDN circuit could be used in a choice of ways.
- "Pen pictures" for the prospect areas of new business were prepared and will be pursued individually.
- The decisions of the rapprochement meeting with POCL of 8/2 will cause this area to take over as the main activity.

ACCEPTANCE LOOSE ENDS

- If pressed POCL would agree that AIs 342, 372, 376, 378, 218, 391 are Closed / incapable of further update. Their Acceptance Manager is leaving the project at the end of February. The formal timetable was updated, and we are down to minor points. The formal measurements for AIs 376, 408 and 298 continued until the end of CAP42 (12/1) and are now completed.

- The outturn on AI376 was 0.06% Cash Account Discrepancies, exactly an order of magnitude better than the target. Under this activity John P made significant contributions to the Third Supplemental agreement, specified the committed CS Repair Facility, aligned the operating agreement on Reconciliation to support the contract, and sorted out the necessary PinICLs to clear.
- Discussions to change to the migration utilities and EPOSS for force-balancing under AI 211, Receipts not equal to Payments, have continued to the present-day and now require a paid study before the CRs can be raised.
- The outstanding queries on AI 372, Software Distribution, were cleared up and the incident closed. Monitoring for corrupt DLLs continues and any issues that now arise will be taken through CS in the normal way.
- AI 298 authorised reboot counts were down to half the limit in January and further declined following changes for the counter printer faults, which had represented about 60% of the problem. CS is replacing the current manual reporting process with automated weekly reports covering the whole estate now that roll out has restarted.
- The last of three Appendices, Systems Management, to the *Generalised API for OPS/TMS* was published on 28/1. The main document is in for sign-off and a revision of Appendix A, Smart Cards, completed. There are a few comments on Appendix B, Cryptography & Key Management, that seek information outside the contract. There is a backlog of comments on the *OPS and TMS Architecture* specifications to bring these up to the same level as the *Generalised API*.
- The AI 369 pilot test report demonstrated the poor quality of OBCS bar-code printing. Although there are no outstanding actions on Pathway while the negotiations between POCL and DSS to roll out OBCS continue, the clock is ticking and the spike of network traffic that will occur when a rollout is sanctioned is growing with every installation.
- AI 391, Physical Security, was Closed without a re-inspection at Bootle / Wigan.
- Closure dates, actual or forecast, were provided for all the Low AIs. One, AI 232, concerning the consequences of untimely deletion of a stock unit, remains in dispute in the contract forum. Dave C has provided an update to Bob Booth on the remaining Low POCL Infrastructure Acceptance Incidents. Only one remains with Pathway - a statement on time standards used.

CSR / CSR+

- Responsibilities in POCL for Invoicing and Transaction Reconciliation reports have shifted from Liz Tuddenham to Jerome Brice. Verbal assurance on the acceptability of the proposed report layouts, sent to POCL last month, has been received. A copy of the updated version of the *Invoicing Reconciliation* document was also produced. Comments are being generated on the *MIS High Level Test Plan* so as to ensure these aspects are correctly delivered.

- Answers to most of the issues raised at the APS demo have now been supplied. One issue remaining is a requirement to be able to perform SPM reversal from within a customer session. This is now being addressed jointly by the APS and EPOSS development teams.
- Dave C prepared the *AP Client Specification* proforma and the initial 13 *APS Client* specifications to support Client Migration. These are required to be agreed by POCL by 31/1 to hit one of the programme milestones.
- Necessary contact with AP Clients is not being achieved. The blocker is the POCL Client management team not engaging with Clients on migration. Pathway has a clear commitment to achieve migration before the end of national rollout, to which the final stage payment is tied. But in view of the poor progress we should press to remove this dependency now.
- The Euro strategy paper and plan was completed and informally discussed with Nick Beal. Note this has not been formally published to POCL. He and the rest of POCL were not at all happy with the cost (£370k) foreshadowed for the plan stage, but he could not immediately fault the approach or content. The POCL Euro team is now considering this paper.
- Siemens is making changes to both SPM and Quantum token technology specifications, previously unannounced. They have decided to change the identification code used on the SPM tokens for live operation and want Horizon to recognise and reject a number of old Quantum cards being used by some early customers. Both tasks require disruptive code changes, and will affect the testing cycles.
- Tony H has produced a report on how the end-to-end distribution of Reference Data should could best be strengthened to protect the contract requirements. The POCL *Reference Data Business Rules* have to be agreed and validation performed accordingly, and the "Attribute Checker", now written into the contract, has to be in satisfactory service by end March. These items are now being handled by CS and Systems.
- A short-term solution remains outstanding to handle outlets closing temporarily for over three weeks where message stores have been archived of essential data by the time the outlet re-opens. A long-term solution has been identified for implementation at CSR+.
- The *Security Functional Specification* was issued at 4.2 for POCL comment. The *Access Control Policy* is being updated to issue 3.2 for wider review. The *HSH Continuity Plan* was issued for approval, which should in turn clear CCN457 and sundry A2As.
- The *Huthwaite Disaster Recovery* proposal is being prepared (by Nial Finnegan).
- John D has obtained a full set of mobile configuration site addresses from POCL and provided a completed response to the POCL ergonomist's comments.
- An attempt has been made to persuade POCL either to remove the A706 scales support capability from CSR+ or to buy us some three months time to allow them to be brought in later.

OTHER ACTIVITIES

- This month we waved goodbye to Dave Jones who has now transferred to UK Finance. We wish him well and all thank him for his success in bringing the Security area through Acceptance.
- Participation continued on the ISO9001 Programme Board. Gap Analysis to identify the processes that are/are not covered showed that the three main Customer Requirements processes, Business Development, CAR, Acceptance, all exist. They will be transferred to the new intranet site. We are hoping not to use the Acceptance process again!

CURRENT CRITICAL PROBLEMS

- The delays in getting through to migrating AP Clients must be confronted now if we are to forestall any arguments about the May 2001 stage payment.

ISSUES

- None.

Customer Service Report



Customer Service Report

MONTHLY SUMMARY

- In January, much of CS energy was directed at addressing Acceptance and resolving problems with the Reference Data interface to POCL.
- Service provision for post offices that were rolled out in 1999 proved to be very stable and was accompanied by a reduction in incidents being logged at the Horizon Systems Helpdesk (HSH). Although we failed to agree with PO on the achievement of specific performance measures for Cash Account calls, PO did acknowledge that the HSH had shown a marked improvement. Relationships between the ICL and PO helpdesk staff are improved
- The Corporate Red Alert with OSD for poor SLA performance has been re-graded to Divisional Alert. HSH Service improvements are still necessary in the areas of call answering and call abandonment and second line support filtration rates.
- After only two incidents, one resulting from a mistake by PO and another from an error in Pathway's systems, it was clear that the processes for Reference Data Management and Authorisation were inadequate. The key issues of verifying the accuracy of reference data before its authorisation by PO for propagation to the live estate, was jointly reviewed and new plan was produced to enable National Rollout to recommence by 24th January. A more robust interface agreement was agreed on 14th January.
- Recruitment to the System Support Centre remains a concern. Only 23 applicants responded to a recent national and local advertisement. Key skills required are Microsoft NT and Visual Basic. These cannot be sourced from A&TC
- OSD's Powerhelp system is on Corporate Red Alert suffering from System Performance and Network problems. This is a risk to rollout.

ICL Pathway

Customer Service Monthly ReportRef: PA/REP/046
Version: 1.0
Date: 16/02/2000**VITAL STATISTICS**

Estate: 1966 Post Offices, 4413 counters

Total number of OBCS transactions to date	40,600,000
Total value of OBCS Transactions to date	not available
Number of OBCS transactions in January 2000	14,900,000
Value of OBCS transactions in January 2000	1,170,000,000
Total number of books impounded to date	40,570
Potential Benefit Encashment fraud avoided to-date	£4,500,000
Total number of EPOSS Transactions to date	48,700,000
Total value of EPOSS Transactions to date	£1,500,000,000
Number of EPOSS transactions in January 2000	11,300,000
Value of EPOSS transactions in January 2000	£750,000,000
Total number of APS Transactions to date	9,100,000
Total value of APS Transactions to date	£222,400,000
Number of APS transactions in January 2000	2,500,000
Value of APS transactions in January 2000	£74,600,000

INFRASTRUCTURE SERVICES**Strategic Services Unit****Outlet Change****Work In Progress**

Outlet	Change Type	Target Delivery Date
Westfield	Reopen	4/2/00
William Street	Outlet Conversion	B/F at POCL request to 5/2/00
Highfield	Relocation & Counter Increase	7/2/00
Fullwood	Refurbishment	18/2/00
Whitehall	Refurbishment	21/2/00
Cantril Farm	Counter Increase	28/02/00
Fairford	Relocation	28/2/00

Cwmlynfell	Relocation & Counter Increase	03/03/00
Manorbier	Refurbishment	05/03/00
Stranmillis Road	Relocation	20/03/00
Parkmount	Relocation	20/03/00
Dymock	Permanent Closure	31/03/00
Wythenshaw	Counter Increase	Complete
Knutsford	Counter Increase	Complete
Eldwick	Refurbishment	Complete
Hingham	Equipment Move	Complete
Seskil Green	Outlet Closure	Complete
Powburn	Reopen	TBC By POCL
Drumo (Belfast)	Emergency Closure	TBC by POCL
Bath	Relocation	TBC By POCL
Legahory	Relocation	TBC By POCL

Work Completed in January

Change Type	Volume
Permanent Closure	12
Outlet Refurbishment	7
Counter Configuration Change	7
Temporary Closure (& Reopening)	3(3)
Relocate Outlet	3

Live Operation

- POCL's audit of the delivery of the HSH Service at cash account has now ended and an improvement plan to rectify outstanding issues of concern to POCL and ICL Pathway has been put in place. All deliverables of the improvement plan are progressing to target.
- A Helpdesk Review Forum has been established and the first meeting between HSH and NBSC was held in Stevenage on 27th January. The forum will be of value to both departments in improving the delivery of their respective businesses. Monthly review dates have been set until September. The next meeting will be held at HSH in Manchester on 28th February.

- The development of the HSH/NBSC interface agreement is progressing well. This is a joint activity with staff from both NBSC and HSH making an excellent contribution to the development task. Version 0.1 of the agreement has been released and reviewed by HSH and NBSC. Incident management responsibilities of both departments have been agreed and will be detailed in V0.2 of the agreement which was issued on 07th February.
- An update of software released to 1100 counters had an adverse operational - impact on post offices:
- Reversals carried out were not shown on the Giro Bank report although the transaction stream reported to TIP was correct. If a Postmaster carried out a multiple reversal a discrepancy occurred. Because there was no entry on the report he did not realise he had completed the initial reversal.
- Where errors occurred Post Masters could not cut off giro bank reports at the end of day
- MSU managed out discrepancy issues with TIP. ICL Pathway technical teams produced and released fixes for the problems on Monday evening (31/01/00).

MANAGEMENT SUPPORT UNIT

Management Information

- ICL Pathway is being monitored for the life of the contract on the volume of re-boots occurring as a result of system problems being reported to the HSH. In order to provide this information, we are monitoring the level of system calls received against the re-boot or 'work around' information supplied by the Horizon Systems Helpdesk. Re-boot information will be provided to POCL via the Horizon service Review Forum to allow them to monitor our performance. The entire analysis of system problems / re-boots and 'work around' will be incorporated within the weekly report.
- MSU are working on the production of the Service Review – Performance Statistics user guide and the 'Remedial' payments reporting process. Target date is 23rd February.
- The first meeting with POCL to discuss CSR+ benchmarking will be held during the second week in February.

Business/Reconciliation Incident Management

- MSU has been working successfully with POCL to close down long outstanding PinICLs and issue final versions of all outstanding RED reports. The team is now getting ready for the introduction of new incident management procedures following the resolution of AI376.
- The 'TPS Reconciliation and Incident Management' document is complete and agreed as being conformant to contract (by ICL's solicitors). It has yet to obtain approval from POCL, which is anticipated to be given during February.

- MSU has now taken delivery of a new version of the non-polled outlet report and are conducting some routine testing. Procedures will be re-written and agreed with POCL as soon as we are confident that the report is working correctly. We now expect to be able to advise POCL which offices are consistently offending by switching off their counters.

OPERATIONS SERVICES

Service Availability

Systems Operations

Host / EMC System

- There have been no significant problems with the Host Systems.

Correspondence Servers

- There were 2 correspondence server problems in January that followed a period of 8 weeks without failure. CS2 in Bootle was the main issue and investigation found the problem to be associated with HOTBIAS. A fix is currently under test with OTT and will be applied as soon as possible. Servers are back in service and fully operational.
- We will soon be switching on Archiving again starting with CR4 in Wigan, to prove that there are no issues with Archiving.

Audit Server

- ICL OSD staff are investigating missing Tivoli files and checking the current state of the Audit Servers with Quality & Risk Directorate.

Data Warehouse

- Data Warehouse is now running correctly – one day in arrears.

Availability/Business Continuity

- The overall availability of all of the data centre systems has again been extremely high, with only 2 correspondence server failures. No outage was experienced by POCL as on both occasions the service was failed over to standby systems.

Major Incidents

- Two Major Business Continuity Incidents are currently open.
- The first, from 1999, on the Correspondence Server index corruption is planned to remain at open status until Riposte archiving is re-enabled.

- The second on the Powerhelp server is planned to remain open until the secondary Powerhelp server is relocated to MAN05 and the network performance improved.

General

- Version 1.0 of the Business Continuity Operational Test Report (1999) CS/REP/046 has now been produced and submitted for approval.
- Version 2.0 of the HSH Business Continuity Plan has been produced and submitted for approval
- A draft SSC Operational Test Plan, CS/PLA/046, has been produced and the SSC disaster recovery test was successfully conducted. The report is currently in-progress.
- The Systems Operation Service operation test is planned for Thursday 10th Feb in Belfast.
- The additional 'hot standby' equipment for the Bracknell site disaster recovery is now available and arrangements are being made to configure these workstations on the Private LAN so ICL OSD can maintain them at the latest build state. There are still outstanding actions on the 'FEL01 permanent' kit required for OTT and Reference Data.
- The review of the Business Continuity Framework document for CSR+ changes was held and changes identified.

Networks

- On Wednesday 26th January there was a network failure that is believed to have been caused by Energis carrying out work that had to be regressed. Reports from Energis and also from OSD Networks are being prepared. There was no loss of service, although the overnight schedule had to be carried out manually.

APS AND TIP SERVICES

Automated Payment Services

- There were no file delivery issues.

Client Take-on

- CRs for the new Token Verification Service and to introduce additional mini-schedules before June are expected in the next few days.
- The CTO42 validation file was delivered to POCL late in January. We could not get the reference data downloaded to our test counter because of a technical problem. A report has been submitted to POCL explaining the reason for delay. The problem has been rectified and will not be repeated.

AP client Migration

- The problems we experienced with POCL not involving Pathway in discussions with their AP Clients are still an issue. This is receiving more attention now at the Horizon New Development meetings.

TIP

- There were no transaction file delivery problems in January other than those caused by post offices that had their counters switched off overnight and therefore were not polled.
- A text has been agreed with POCL to be included in the April Counter News to remind Postmasters to not turn off their Horizon base unit.
- A CP is to be raised for the production of a sticker to be placed on all counter system base units reminding Postmasters not to turn them off.

CHANGE MANAGEMENT

Reference Data

- The Reference Data Review Group has now had its final meeting and outstanding activities have been handed on to other groups.
- A solution to the problem of RDMC releasing new data when earlier versions are being verified is being tested. Release was scheduled for the weekend of 5/6 February.
- The Reference Data Interface Agreement – version 3.0 has been presented along with a CCN for final sign off.
- A total of 427 reference data changes were released to the live estate since the last report. There were 26 correction files, 13 migration special files and 8 files, which contained rejected rows.
- RDMC rejected rows – a report was submitted to the Reference Data review forum, which showed progress on resolving the issue of rejected rows. ICL Pathway is still reviewing this report.
- There have been a number of problems with the processing of Reference Data in the last two weeks. These include:
- A number of files were sent to RDMC that were thought to be benign to the Horizon system. This was not the case as it caused some changes to occur in the Horizon counters that may not have been expected. The problem was due to POCL failing to supply required data to a previous OBC in September 1999 to ensure that a change in AP client names was propagated to all associated AP tokens. The Reference Data Comparison tool successfully identified this problem.

- A number of files were sent to RDMC that contained a change to the Cash Account type for both live and non-Live outlets. Unfortunately a process issue had allowed these changes to be supplied by POCL as Help Desk changes only and RDT were also not informed that the files contained such data. As a consequence RDT were unaware of the urgency with which the files were required and had not progressed them for release. The problem was further complicated in that some of the files had dependencies on others for which RDT were awaiting action both from POCL and from ICL Pathway. RDT were able to progress the files slightly later than required but we believe that this has not caused any problems to Live outlets. The underlying cause of the problem is being addressed and additional processes are being established within POCL to ensure that this does not happen in the future.
- An outlet's FAD code was changed in anticipation of the outlet moving to a new location and franchise however the actual change was delayed but this was not reflected by POCL within the Reference Data. This caused problems for ICL Pathway data processing. The immediate problem was overcome by provision of corrective Reference Data however the underlying issue is still under investigation.

Software Distribution

- 46 Release Notes have been raised over the reporting period and 31 have been authorised for live. 12 Release Notes have been withdrawn over the same period.
- The update of the remaining counters with the new Eicon drivers is now complete. Measures to deal with the operational problems identified during the download are still under review.
- The new Celestica baseline was implemented over the weekend of 22/23 January. Although the implementation was trouble free, problems were encountered in the week immediately following with baselines in the wrong build being introduced into offices. This highlighted the need for stricter controls when two counter baselines are in play, which is expected to be the case while CI3 is being rolled out. It has been confirmed that TIVOLI will be able to cope with two spares baselines at the same time at CI3 but NOT two rollout baselines i.e. rollout sites cannot be included in pilots.



Quality & Risk Report

Quality & Risk Report

MONTHLY SUMMARY

- Security. The implementation of KMS will involve a significant amount of resource, and a workshop is planned to involve all interested parties. Procedures for key management for CI3 (VPN) have been implemented. An interim solution to the DPA issues has been agreed. There is still some concern over the security of RODB, although a pragmatic way forward has been agreed.
- Risk Management. The Business Risk Register has been reviewed and updated. The weighted overall risk exposure now lies at £22mn, up from £17mn. Both risk staff have left Pathway; A&TC replacements have been recruited.
- Quality. ISO9001; gap identification has moved ahead and a draft plan is being produced. Discussions have been held with ICL Group Quality and changes to the QMS are planned. A roll out DQA has begun.
- Audit. There has been no agreement on the Development 'minimum documentation set'. This has potential implications for the achievement of ISO9001 and in the longer term, supportability of the system. Audits were conducted of the Implementation 11 Week Plan and the Planning process. The provision of data for investigations still proves to be an issue – it is now with the lawyers.

PROGRESS

Risk Management

- Graham King, Risk Manager left Pathway in January **GRO**. He has been replaced by Nigel Kermode. A replacement for Nathan Roberts, who left in December, will start in February.
- The Business Case Risk Register has been reviewed by the Management Team. The overall risk exposure is now £90mn, weighted exposure increased from £17mn to £22mn. The major risks are:
 - PC compatibility; the change to pc specification
 - Delays to CSR+, and increased support costs as a result of insufficient quality
 - Operational costs including communications, remedial work to sustain SLAs, Help Desk
 - Release 3 and 4 costs – development and support
 - Implementation; ntl performance, low beat rate or break in roll out.

SYSTEM SECURITY

General

- AI 391. All actions have been completed and PONU have signed off. Agreed security procedures will need to be the subject of regular compliance audits. Ongoing maintenance will also be required.
- DPA. A successful meeting was held with PONU to establish our respective status under the 1998 Act. Requirements emerging from this will form the basis of contractual negotiation. An interim solution for the provision of training information by Knowledgepool to POCL was also agreed.

CSR

- SEM monitoring/refinement is continuing. Random checks of privileged accounts have been satisfactorily checked. VPN events have been reviewed and classified accordingly for initial capturing. Version 0.6 has been registered in PVCS.
- SecurID/RSA Secure-Care Plus. Technical support and major upgrades are now covered by a consolidated support contract to cover 250 users.
- VPN. A significant amount of work has been done to implement the physical and procedural security required for handover of VPN keys at CI3.
- RODB. Actions identified from workshop have been progressed. The agreed implementation strategy will require security input and sign off before deployment.

CSR+

- Work on KMS User Guide and review of related documentation continues. An additional author has been taken on to write some of the more technical sections.
- KMS Implementation. Workload and timescales continue to be defined. A scoping paper has been produced that considers what needs to be put in place before the KMS service can be implemented. This will act as a precursor for a workshop discussion amongst those areas involved. It is already clear that significant additional resource will be required to implement the service within proposed timescales. A dedicated project manager may be needed to drive forward the overall programme.

QUALITY

- ISO9001: Reviews have been conducted with ISO Board members to support the identification of process gaps. An overview of process gaps and of external impacts on our registration activities has been prepared as basis for planning. A draft plan for registration is being developed for review at the February ISO Board
- Revision of QMS documentation is underway to incorporate an overview of the QMS and establish links from the One ICL Processes. This should facilitate incorporation of Pathway within the ICL Registration.
- A DQA Plan has been developed for visits during the first 4 weeks of roll out, involving 4 members of QRM. Preliminary results show significant improvement in infrastructure preparation with some persisting issues.

AUDIT

- Audit Programme. The 1999 Resume and 2000 Plan have been issued.
- Internal audits:
 - Customer Services Audit. 1 action remaining open in the CAP.
 - Change Management Audit. 6 actions remain open in the CAP; to be reviewed during February.
 - Implementation Audit. 1 action remains open in the CAP.
 - CSR+ Development Audit. The constitution of a 'minimum documentation set' has still not been agreed, despite several meetings and many email exchanges.
- 11 Week Plan. The audit indicated that the Plan had been successfully executed with PowerHelp and its use in the ROHD being the sole area of concern.
- Planning Audit. The high level result is that Pathway does have a sound Planning Process but it is not being exploited to its best and, in some instances, is being undermined by poor time reporting.

Audit Solution Problems. There are still a large number of audit solution problems that need closing down with OSD.

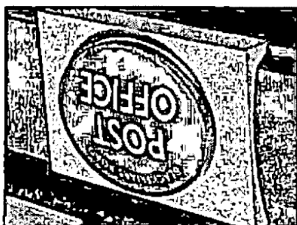
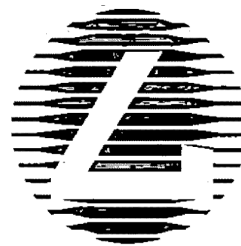
YEAR 2000 CONFORMANCE

- Compilation of the Y2K compliance audit trail, required by ICL group, is nearing completion. No major issues found or expected.
- Informal discussions as to any actions needed to manage any risk arising from Leap Day have taken place. The consensus view is that the event is low risk and that no special action is required though all should be vigilant.

ISSUES

- Little progress has been made on the Development 'minimum documentation set'. This has potential implications for the achievement of ISO9001 and in the longer term, supportability of the system..

Business Development Report



Business Development Report

MONTHLY SUMMARY

- Network Bank proposal is being evaluated alongside 15 others. I expect a shortlist to be announced by mid-February. In the meantime, there have been a number of internal strategy sessions on the subject, the main outcome of which is a proposal to Post Office that they 'firewall' ICL Pathway as a nominated subcontractor and work closely with us to ensure the best solution for Post Office. ICL may still bid for the total package but with Pathway as a subcontractor.
- The long awaited Service Development Plan PONU's view of the new requirements of themselves and their market facing units is due to be shared with us by mid-March. This will enable us to take a view of PONU's prioritised requirements and to assess our own forward development plan.
- The biggest issue to face in going forward is the prospect that the Post Office does not have any money to invest in new products. This will necessitate any change needing a sponsor or an external client, which will affect timescales.
- Press coverage has continued with the main focus still on the government's decision to pay benefit by ACT and the consequential impact on rural post Offices. This campaign is set to continue for some time.
- A press release heralding the installation of the 2000th post office was issued. This is the first time an agreed (with Post Office) press release has been issued albeit there was a Post Office one and a separate ICL one. However, this was still a very positive move.
- We (ICL and ICL Pathway) have submitted a PR/press proposal to Post Office. This is aimed at a set of activities throughout this year to promote Horizon and the impact on Post Office. We still await feedback.
- We must keep pushing for a joined up campaign internal to Post Office to promote Horizon. There are far too many misconceptions about which vary from out-of-date technology to a batch system to "it will take 3/4 years to complete roll-out."
- There was a long debate on Post Office in the House of Commons on 17th January during which there were many references to Horizon, almost all positive in nature, including a reference to an MP visiting ICL Pathway in Feltham to see the system. We must keep pushing this particular door in pursuit of getting the message to a wider political audience.

PROGRESSBusiness Development:

- EMU: A CCN has been submitted on EMU. This specified a £374K bill to undertake a detailed study of the impact of EMU. This has had a negative impact within PONU in that other suppliers have undertaken this study work

free of charge. We need to re-consider this piece of work and re-submit a less detailed proposal with caveats.

- **Training:** A response to a change request for CSR+ backfill training is currently being prepared. While we have responsibility for new training, PONU have the responsibility to train the staff already trained on Horizon. There is also the requirement to train for LFS, which is an additional requirement to the contract.

Marketing Communications:

Internal Communications in ICL Pathway

- Communication regarding the appointment of Mike Stares continues. So far communication has been via ICL Pathway staff, ICL staff via CASCADE and CafeVIK.
- Staff briefings are being arranged for all three ICL Pathway locations in Feltham, Kidsgrove and Bracknell.
- Proposed agenda is for Mike to introduce himself and explain what his new job title incorporates. Also updates on National Roll-Out and Business Development.
- The new Induction events (demo day and old induction event merged) are taking place on Thursday 10th and Friday 11th February. Communications are helping out by taking about ICL Pathway and ICL – what we do our history and information available.
- Work continues in relation to Gold Excellence Awards within ICL Pathway.
- Working with Jim Flynn and his DR's to improve communication within Implementation and the regions.
- Dress down day held on 27th January and raised just over £270.00. We intend to have three new charities this year and will get staff to vote to the top three.

External Communication

- ICL Pathway's new 'Community' is up and running on CafeVIK. We will supply information to the site such that everyone in ICL can view.
- A 'Community' site has also been set up for Kieran McGuirk and the Post Office Virtual Account team.
- An update article has been written for the ICL Magazine. The feature includes Christmas break activity, automation of the Dome post office, 2,000th post office and the appointment of Mike Stares.
- Exec Relations work continues with Debbie Eldridge. ICL Pathway is considering the different events available against the target audience within the Post Office.

POCL Communications

- Press release written, approved and distributed on the 2,000th post office. This release has generated a number of calls from the Trade press, which the ICL Press Office and the Post Office Newsroom are dealing with, including visits to automated offices.
- Proposal for future releases is with Keith Hardie for comment.

Government communications

- Following on from the successful PITCHIM visit to ICL Pathway, the next edition of the PITCHIM Journal has the visit as lead story. ICL Pathway and the Post Office have an editorial running to coincide with the article. This is a first for us as the Post Office had never given approval before.

International:

- The Deutsche Post work has been completed.
- The Namibian work continues but without any on-going ICL Pathway involvement.

CRITICAL PROBLEMS

- None

Implementation Report



Implementation Report

MONTHLY

- National Rollout re-commenced with installations from 24th January 2000, and is now into its third week. To date installation beat rates have been achieved broadly in line with plan, although maximum beat rate will not be exercised until 14th February. The 2000th installation of the Horizon system in Post Office outlets took place on Monday 31st January 2000 and, as of 4th February, 2155 outlets had received their Horizon system.
- Process improvements to assist National rollout, implemented over the Xmas break, appear on the basis of rollout to date, to have been successful with rollout activity so far making steady progress. There have been no major process or system failures since rollout re-started indicating a degree of stability and robustness in the existing tools and processes in use.
- Current predictions indicate that the next rollout payment milestone will be achieved at the planned date of 1st May 2000.
- The critical issue of the interception of a replacement PC for the X365 and the likelihood of this causing a gap in rollout later this year, reported last month, has been managed to a satisfactory conclusion. Fujitsu Siemens will now manufacture a further 13,500 X365 units to continue the rollout with the same PC product. Delivery dates will enable the gap in rollout to be closed completely and the remaining rollout payment milestones will be safeguarded by the total available quantity.
- Pathway's Implementation team is currently working with the ICL PFI Group to provide management and direction for their project rollout requirements. A strategy document has been prepared to ensure the risks are fully understood and that Pathway's rollout programme is not impacted. Costs for this activity will be borne by the PFI group.

PROGRESS

- Only two vacancies remain in the Implementation headcount plan before the team is fully staffed for National Rollout.

- Following the last release of RODB software there are no longer any major concerns with the quality of the system and its data integrity. Further improvements to the RODB are planned to reflect recent process improvements and assist suppliers in maximising the benefits from the system. A 15 day delay to the next release, now due on 21st March 2000, has been accepted by Implementation in order to include these latest important improvements. The Secure managed Environment (SME) RODB software release is due two months later.
- During the two and a half weeks of installations since National Rollout (NRO) recommenced, actual installation dropout rates have matched the planning estimates and installation process improvements appear so far to have been effective. However, it is intended to monitor these rates continually to assess and identify trends as they emerge, particularly once maximum beat rate has been exercised and sustained from 14th February onwards. Contingency measures to ensure installation plan rates are achieved will be maintained at least until early March. A review of the necessity of contingency measures will be made on 11th February, using evidence from the first 3 weeks of rollout, to determine whether the contingency measures can be lifted. In any case several weeks notice is required to cancel these measures enabling a decision to be made on 11th February to cease the measures in March.
- The installation of ECCO outlets on Wednesdays has been proven for the first time in the early weeks of 2000 and will now become a normal planned activity for future weeks.
- No new outlets have entered the initial stages of the infrastructure programme yet this year (see statistics below). This is a consequence of the infrastructure programme being well into the tail and surveys are now undertaken against a pre-defined plan where work efficiency determines when work is undertaken. This means that, for reasons of economic efficiency, the first surveys this year will not be undertaken until week commencing 31st January 2000. The survey programme will conclude at the end of April. It is also anticipated, from recent joint planning between PONU, Pathway and ntl, that preparation activity will conclude during July this year. This includes all sites visible to Pathway, which require infrastructure activity. Any additional sites identified by PONU will, by agreement, be undertaken as part of the Operational Business Change Programme.
- A quantity of approximately 2000 more than usual completed preparations is reported this month (see statistics). This has resulted from a change in reporting definition for preparations such that sites not completed on the scheduled date but which have later been completed are now included. The quantity reported is therefore now the total number of completed preparations.

ICL Pathway

**Implementation
Monthly Report**Ref: PA/REP/046
Version: 1.0
Date: 16/02/2000

- Detailed planning for the CSR+ live pilot, due to be run in August this year is now well underway. The pilot will be made up from 285 existing live sites, upgraded with the CSR+ release and 20 new installations where CSR+ will be the built release. The selection and identity of the 305 offices is underway and likely to be concluded by mid-February.
- The rollout training programme is well underway with all training events having been exercised again this year. Although there have been some minor training scheduling issues there are no major concerns and the training programme, which achieves maximum beat rate of 306 outlets w/c 7th February, is considered to be robust and stable. A change request has been received from PONU for a proposal to provide CSR+ backfill training to the approximate 11,000 outlets that will be live on Horizon using the CSR release at the point of introducing the CSR+ release. A proposal will be submitted to PONU in mid-February.
- Discussions are underway with PONU to monitor and improve training course occupancy levels, particularly on the Pre-entry event where occupancy levels have been consistently low. PONU recognise that responsibility for occupancy on the Pre-entry event rests with them.

IMPLEMENTATION STATISTICS (TO 28TH JANUARY 2000)

<u>Activity</u>	<u>Change</u>	<u>Cumulative</u>
INFRASTRUCTURE PROGRAMME		
RGM letters issued	0	17,563
Site surveys undertaken	0	17,131
Site re-surveys required	0	6,647
Site re-surveys undertaken	50	6,595
Site modifications done	179	5,268
Site preparations done	2,380	13,269
Sites RFI	2,514	12,866
INSTALLATION PROGRAMME		
RGM2 Letters issued	530	6,771
ISDN lines installed	305	3,123
Sites installed	111	1,976
Sites migrated and Live	111	1,968
Counters Live	295	4,393

CURRENT CRITICAL PROBLEMS

- Considerable progress has been made to resolve the programme risk of a gap in rollout, originally caused by the time required to validate a replacement PC for the X365. Negotiations between ICL and Fujitsu Siemens, with considerable assistance from Fujitsu to escalate the issue and identify a solution, have resulted in Fujitsu Siemens determining that X365 components can still be procured and committing to manufacture a further 13,500 X365 terminals. Delivery of the initial units is within the time scales required to fill the potential gap in rollout and the total quantity will enable achievement of the fourth rollout payment milestone, in terms of available counters, to be guaranteed. Sufficient time is available to enable interception of a future generation PC prior to the tail of the installation programme that follows the fourth milestone. It is likely however that a last time buy of the X365 will be required before the end of February 2000 requiring a considerable up front financial commitment and detail accurate in the forecasting of counter requirements for the next 12 months of rollout.
- The only other critical item to report is the continuing concern over the quality of service for the Powerhelp helpdesk call system used by the Rollout Helpdesk (as well as the Horizon System Helpdesk). System response times and system availability have been persistently poor and despite management attention, although some improvements have been achieved, the service level remains a concern and a risk for sustaining rollout at maximum beat rate. Some progress is being made in identifying potential infrastructure problems, which may be the cause of the poor system response and availability, but this must be improved very soon. Currently attempts to reduce a backlog of calls at the rollout helpdesk are being hindered by the difficulties surrounding Powerhelp. The risk is that with call levels increasing following the re-commencement of rollout and maximum beat rate yet to be exercised, the backlog of call will grow and may become unmanageable. Eventually this could threaten the continuation of rollout if not resolved within a few weeks.

ISSUES

(Including progress on issues reported last month)

- Progress with ntl on improving the quality and timeliness of preparation activity completion continues and there has been no major impact on rollout. However, there is still evidence of quality issues continuing to arise and this must be addressed in order to ensure the Field teams are not swamped with issues to be resolved on installation day. The consequence of not addressing this is that the current provision of expensive contingency measures would need to be extended to ensure dropout levels are kept at an acceptable level to ensure the next payment milestone is achieved on schedule.

- As reported last month, 54 outlets in the Hull district have been suspended from the rollout programme in February due to anomaly in ISDN circuit connection in that region. A software modification available in March will enable connection for these outlets to be re-scheduled and installed later in the rollout programme. This is not considered a serious threat to achieving the next payment milestone and is a much lower risk than attempting to provide an interim solution.
-

COSTS

- Consolidation of the Business Case Risks with the Implementation risk register is virtually complete and changes some variances have been identified which will require alignment.
- Implementation's current cost forecast has a negative variance of £500K, relative to last months report, following the necessary extension of the infrastructure programme to accommodate the remaining tail activities. The additional cost is created from the need to extend the overhead facilities longer than originally planned and from a less efficient schedule of activity. The plan for this activity is however concluded and the costs are therefore considered to be complete.
- The Knowledgepool contract will be signed during February.



Organisation & Personnel Report

Organisation & Personnel Report

MONTHLY SUMMARY

- A positive conclusion was reached to the investigation into the causes of the two Health and Safety incidents arising from preparation work in the Post Office estate. Improvements to procedures were identified and introduced.
- Recruitment activity to support Customer Service and Implementation continued successfully although there are still a number of outstanding vacancies.

PROGRESS

- Appointments in December:

External Recruits	3
Transfers	4
A&TC	11
LINKwise	0
Freelance	5
Tem/Fixed Term Contracts	0
Total:	23

- Known Joiners:

External Recruits	0
Transfers	2
A&TC	2
LINKwise	0
Freelance	4
Tem/Fixed Term Contracts	0
Total:	9

- Offers outstanding:

External Recruits	0
Transfers:	1

- Leavers in December:

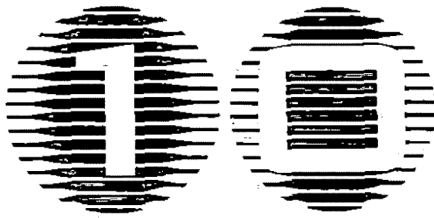
Permanent	3
-----------	---

ICL Pathway

**Organisation & Personnel
Monthly Report**Ref: PA/REP/046
Version: 1.0
Date: 16/02/2000

Freelance	2
Temporary	0
Transfers	3
Total:	8

- Recruitment activity accelerated as new requirements in Customer Service, Technical Integration and Implementation were filled. The vacancies in Customer Service remain critical to fill quickly as the live estate grows daily as national Rollout progresses. We are working closely with A&TC on a recruitment programme to fill these vacancies. By the end of January 50% of the positions had been filled.
- As ICL Pathway take on more people from A&TC, regular reviews are now in place with ICL Pathway and A&TC HR to ensure common working practices are agreed and communicated to employees and managers. The main area of activity is currently the introduction of a common Additional Working Hours Framework, which has been needed especially to accommodate weekend working and on call support.
- The Induction Programme has been restructured and the first two sessions will be held on February 10th and 11th.
- A review of Project Managers within ICL Pathway was undertaken jointly by ICL Pathway and the Project Management Community Leader to confirm a group of 15 Project managers and Project Control Officers in the Community and to agree their benchmark level. This was successfully completed and the individuals will now be confirmed as members of the Project Management Community.
- Agreement was reached on 35 positions currently filled by freelancers which could be filled by ICL employees with the right skills. A&TC have been tasked to come back by 10th February with a plan to fill as many of these positions as they can. Once this has been completed another 20 roles will be targeted. A weekly monitoring meeting has been established within Pathway to keep the pressure on this replacement process.
- The investigation into the two Health and Safety incidents in the Post Office estate was completed. It was agreed with the Post Office that ICL Pathway would make a specific response to Mike Cakebread (POCL), following the conclusion of the investigation into the Patrington incident. This was made on 28th January. As a result of the investigation, ntl, the subcontractor, has issued a reinforcement and clarification Site Update Notice reiterating the need for best working practice to be followed during installation to ensure cables are not subject to abrasion damage. Changes to the Field Operations Manual and to the Post Preparation Quality Audit procedure have also been made. A sample audit of the offices installed by the ntl employee responsible will be complete in early February. Should this reveal any further problems, then a full investigation of all the sites installed by him will be undertaken.



Post Office Client Report

The Post Office - Client Director's Report

MONTHLY SUMMARY

Two new appointments for eBusiness are being made; in different parts of PO.

Revenue year to date at Dec 1999 ie 3 quarters

A+TC	468k
MC	10,606K
GOVT	1,280k
OSD	13,640k
PATHWAY	162,026k
Total	£188m

eBusiness

- Following the PO Exec Board policy statement of 23 Dec, Dick Wheelhouse has now been appointed MD of "e-Enterprises", reporting to Richard Dykes. Another MD appointment is imminent, of a new "e-Infrastructure" unit to design and operate common internal processes needed to support external eBus eg intranets: reporting to Stuart Sweetman.
- Our next task is to meet these new players.
- Meanwhile other lower level activities are being pursued:
- X500 Directory Assistance provided to Peer Logic to put in a response which emphasised the need to integrate a PKI solution with ICL's E-business solutions. Apparently this was the "most comprehensive" document submitted but they (now part of e-Enterprise) are now going into RFI mode (with no business case).
- PORG Meeting with ICL Research/PORG at which focus was placed on the need to improve the logistics and supply chain in order to provide improved delivery capability. John Elmore will follow up with an agenda and workshop.
- SAP Exploratory discussions on how we can work together - an imaginative practical solution needed.

SERVICE MANAGEMENT PRODUCTIVITY PROGRAMME

- The key requirement for an asset register, prior to April 1 when IT Services take on responsibility for all PO desktop PCs, is being developed by A+TC/OSD using Peregrine software. However this work is all running late and we have reports back of slowness, poor overall project management and dubious quality of resources. The POITS budget cut also has impacted.
- There is a substantial longer term opportunity to design and/or operate PO infrastructure. I have loaned Caroline Simcock to Andrew Auty to help get through the immediate problems.

ICL Onsite/technical resources (bodyshopping)

- Still no agreement on the new pricing submitted by ICL Govt for ICL resources (it exceeded the 8% CEL limit) and, in any case, POITS aren't using sub-contractors, so little revenue. Onsite's backlog of work-packages completed but PO refusing to pay for those that scored poorly on the satisfaction measures. This results in approx. £30k of debt which A&TC are trying to sort.

ICE (SPICE/CRM)

- Deloitte's contracted for scoping analysis meanwhile other SPICE bidders have been asked to consider SPICE training. KnowledgePool assisted by John Bell have moved to a shortlist (+Druid, Parity) and first phase estimates in the order of £2m.

MC - One Stop Shop

- MC suffering from low orders which will continue for the next 2-3 months ie there will NOT be an end of year rush. This coupled with the change in account manager, CCenter's increasing percentage share, CC's apparent ease of ordering compared to Exc, and CC's increased visibility needs determined action by MC to resolve. I have escalated to Norman Kough.

Enterprise Agreement

- John B assisted MC to put in response which linked software licence asset management with SMPP. Margin on annual revenue of approx. £3m only at 3%. Decision "imminent" - vs Ccenter.

Modern Government

- Opportunities and joint initiatives continue to be put to PO: Under26 Cards in Scotland "Young Scot"; the "me.gov" CITU procurement; and now the DfEE Youth Card. The relationship with Dave Waltho and team remains good, though arms-length. Dialogue being extended to include PO Corporate Client Directors.

OTHER ACTIVITIES

- Core Account team CafeVik intranet - slow progress now due to lack of resource .
- Next Account team meeting 9th Feb in MC Warrington.
- We have arranged for two PO representatives to join Elizabeth Lank's Knowledge Club. Hard to know how this could be moved forward at this stage; it builds contacts and influence.
- Lifestyle Network discussions resulted in the conclusion that PORG and ICL doing the same sort of things so they'd attend joint seminars but not become full members of Gill Ringland's club.
- The Post Office Supplier Management initiative will involve close working with Jim Arnold and Annmarie Byrne for whom a complex document must now be developed - John B is leading..

COST DOWN

- No change.