

*Bringing Technology to Post Offices and Benefit Payments***PROGRAMME VALUE FACTOR ASSESSMENT - 25 APRIL 1996**

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 Reference: PWKP4-41

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Contents	Page
1. PURPOSE.....	1
2. BACKGROUND	2
3. PROGRAMME SUMMARY	3
4. JUSTIFICATION	4
4.1. Introduction	4
4.2. Value Factor 1 - Customer Acceptability.....	4
4.3. Value Factor 2 - Staff/Agent Acceptability.....	5
4.4. Value Factor 3 - Fraud Free Method of Payment.....	5
4.5. Value Factor 3a - Fraud Free Systems for POCL	7
4.6. Value Factor 4 - Credibility of delivery in Steady State.....	7
4.7. Value Factor 5 - Start Up	8
4.8. Value Factor 6 - Innovation.....	8
4.9. Value Factor 7 - Flexibility	9
4.10. Value Factor 8 : Management Capability	9
4.11. Value Factor 9 : Reliability and Support.....	10
4.12. Value Factor 10 : Stability/Coherence	11

1. PURPOSE

- 1.1. This paper is an addendum to PWKP4-22, version 2.3, and PWKP4-33, version 2.0, lodged with the Programme lawyers prior to receipt of tenders and retenders respectively. It provides a summary of the Programme Value Factor assessment of 25 April 1996. This followed assessments completed by the Contracts and Demonstrator strands to take account of evidence gathered from the start of further negotiations with Service Providers on 29 March to examination of the retenders received on 22 April.

2. BACKGROUND

- 2.1. Following receipt of retenders on 22 April, pre-allocated teams carried out assurance activities from a Contracts, Demonstrator and Partnership standpoint on the tender material. The activities consisted of reviewing the retenders against the pre-ITR position, considering whether any changes had been made and, if so, the impact of those changes. The full results of the assurance activities are described elsewhere.
- 2.2. In the course of the assurance activities, technical and contracts reviewers concluded that, notwithstanding their exposure to the pricing content of tenders and retenders since the last review, they should have the opportunity to revisit the existing Value Factor assessments in view of the more recent relevant experience and the changes in Service Providers' positions in some areas evidenced by the content of the retenders. The teams held formal reviews on 24 & 25 April to bring together reviewers' experience.
- 2.3. A Programme Review took place on 25 April to reconsider the Programme scores and validity markings in the light of the three stream reviews referred to in para 2.2. A summary of the results is given in section 3 and the detailed changes and rationale are set out in section 4.
- 2.4. The scores for factors 1 - 10 (i.e. excluding 3A, Fraud free systems for POCL) were fed into the evaluation in accordance with the procedures agreed in PWKP4-5, Issue 3.0.

3. PROGRAMME SUMMARY

3.1. The following table shows the Programme scores for the Value Factors. Where there have been changes in scores or validity markings the previous score/marking is shown in brackets.

Programme Value Factors	CARDLINK		IBM		PATHWAY	
	Score	Valid	Score	Valid	Score	Valid
1 Customer Acceptability	5.8	B	5.3	B-	5.3	C
2 Staff/Agent Acceptability	6.0	B+	5.0	B	5.5	B
3 Fraud Free Payment Method	5.5 (7.0)	A	5.4 (6.2)	A	4.0 (4.1)*	A
3A Fraud Free Systems for POCL	5.7	B	5.9	B	5.1	B
4 Credibility of Delivery	5.7	B	5.5	B	4.1	B
5 Start-Up	5.4	B-	5.1	B-	4.4	B-
6 Innovation	5.3	B	5.8	B	5.4	B
7 Flexibility	4.7	B	4.2	B	4.4	B
8 Management Capability	4.7 (5.5)	C+	4.5	B	3.7 (3.3)	C+
9 Reliability and Support	5.3	C+	5.2	C+	4.5	C+
10 Stability and Coherence	6.2	B	6.0	B	4.4 (3.7)	B

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* This mark refers to the non compliant bid against the ITT.

3.2. The need for Value Factor 3A was identified after the issue of details of the ten factors to Service Providers. The results of the assessment are presented here, since they offer a degree of comfort in respect of all three Service Providers, but they are **not** proposed as an element of the evaluation.

4. JUSTIFICATION**4.1. Introduction**

4.1.1. The outcome of the reviews by the Contracts and Demo Streams can be summarised as follows:

- (a) the **Contracts Stream** revised their marks for factors 3, 4, 8, and 10. The results and a summary of the associated rationale are given later in this paper;
- (b) the **Demo Stream** only considered a change necessary to factor 3; in some other factors their view on some of the sub-factors changed to a degree, but not enough to alter the factor score.

4.1.2. The revised scores (and rationale for the factors where scores changed) are given in the paras below.

4.2. Value Factor 1 - Customer Acceptability

Definition						
The service provider needs to ensure that the services are viewed favourably by customers at post offices, and that the benefit payment services are acceptable to all benefit customers choosing to be paid at post offices.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership	-		-		-	
Contracts	-	E	-	E	-	E
Demonstrator	5.8	B	5.3	B-	5.3	C
Programme	5.8	B	5.3	B-	5.3	C

4.2.1. No change from previous review.

4.3. Value Factor 2 - Staff/Agent Acceptability

Definition						
The service provider's services need to be Post Office and BA local office staff friendly; for example, by being easy to use, responsive and supportive of their job functions.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership	-		-		-	
Contracts	-	E	-	E	-	E
Demonstrator	6.0	B+	5.0	B	5.5	B
Programme	6.0	B+	5.0	B	5.5	B

4.3.1. No change from previous review.

4.4. Value Factor 3 - Fraud Free Method of Payment

Definition						
The measures proposed to make the service for benefit payment fraud free and to maintain that fraud free level.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership	-		-		-	
Contracts	2.5 (4.0)	B+	2.0 (2.5)	B+	3.0 (* 3.0)	B+
Demonstrator	6.2 (7.8)	A	6.3 (7.1)	A	4.3 (4.4)	A
Programme	5.5 (7.0)	A	5.4 (6.2)	A	4.0 (N 4.1)	A

*Refers to their non-compliant bid against the ITT

4.4.1. ~~The three suppliers' retender positions on fraud risk transfer are set out in the Contracts Assurance report, PWKP4-40.~~

4.4.2. Contracts Stream considered that as a result of the deterioration in the Cardlink position in their retender, the Pathway bid now represented the best deal in terms of transfer of fraud risk. Their position in the negotiations and retender was unchanged from their non-compliant bid against the ITT, so their score should remain at 3.0.

- 4.4.3. Cardlink and IBM were equal in their non-acceptance of cardholder verification fraud, but inferior to Pathway. On other fraud, however, the cover from Cardlink was better than from IBM. On this basis the Cardlink score should be 2.5 and the IBM score 2.0.
- 4.4.4. The Demo Stream had divided this factor into two sub-factors:
- (a) the physical measures to prevent fraud
 - (b) the procedural measures ('Fraud & Risk Management') to back up the physical measures.
- 4.4.5. Although positions on physical measures (and thus scores) were unchanged, the Demo Stream noted that all three Service Providers had shifted their position in varying degrees on assumption of liability on Benefit Encashment Fraud. This implied a potential scaling down of their activities in the Fraud and Risk Management process and their incentive to be pro-active was lessened.
- 4.4.6. The extent of this downscaling was not documented in the responses (Cardlink had commented that the Security Proposal was "significantly impacted" and required updating to be consistent with their new bid). A detailed re-evaluation of this area could not be performed, as this would require additional information from and discussion with Service Providers. However from the information held it was possible to form the view that the scores of all three would be reduced.
- 4.4.7. The Demo Stream agreed that, in view of the lack of detailed information, supplier scores for the procedural measures sub-factor should be either the score appropriate to the security review definition 'there are major reservations which will require significant work post award of contract' or the existing score, whichever was the lower.
- 4.4.8. In deriving the Programme scores, it was agreed that the 20/80 balance between Contracts and Demo should be used again.
- 4.4.9. In passing, the Programme review noted the Contracts view that, whilst their scores were fair assessments against the original expectations, experience of the negotiations with the three shortlisted suppliers had shown that these were set at a level which the market was not prepared to meet. If assessing against current knowledge of what the market would meet, Contracts would score Pathway as 5.0, Cardlink 4.0 and IBM 3.0.
- 4.4.10. The results of such scores at Programme level, using the 20/80 formula, would be:
- | | |
|----------|-----|
| Cardlink | 5.8 |
| IBM | 5.6 |
| Pathway | 4.4 |

4.5. Value Factor 3a - Fraud Free Systems for POCL

Definition						
The measures proposed to make the service for POCL fraud free and to maintain that fraud free level.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership						
Contracts	-	E	-	E	-	E
Demonstrator	5.7	B	5.9	B	5.1	B
Programme	5.7	B	5.9	B	5.1	B

4.5.1. No change from previous review.

4.6. Value Factor 4 - Credibility of delivery in Steady State

Definition						
The service provider's designs, procedures, tools, methods, resources and organisation need to ensure that the steady-state services will be delivered to time and quality, showing understanding of and empathy with the BA and POCL requirements and objectives.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership						
Understanding of POCL	Good		Very Good		Good	
Capability and Experience	Good		Good		OK	
Contracts	3.5	D	3.5	D	3.5	D
	(4.0)					
Demonstrator	5.7	B	5.5	B-	4.1	B+
Programme	5.7	B	5.5	B	4.1	B

4.6.1. Contracts Stream reduced Cardlink's score to reflect their refusal to accept implied requirements in the contract.

4.6.2. The Programme noted the above change, but concluded that the previous agreement on the relative importance of the scores should stand, i.e. the Demo scores should prevail in view of the low validity marks on the Contracts evidence.

4.7. Value Factor 5 - Start Up

Definition						
The service provider's design, development, acceptance and initial implementation services need to be credible, showing appropriate controls, management interfaces and capability for managing, controlling and delivering the start-up of the services.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership						
Contracts	-	E	-	E	-	E
Demonstrator	5.4	B-	5.1	B-	4.4	B-
Programme	5.4	B-	5.1	B-	4.4	B-

4.7.1. No change from previous review.

4.8. Value Factor 6 - Innovation

Definition						
The service provider needs to be pro-active, change-orientated and demonstrate a genuine "can do" attitude.						
He should generate creative ideas and understand how to apply technology profitably building upon his initial services, complementing rather than competing with POCL's core competencies.						
He should seek to do existing things better and better new things.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership						
Analysis of Opportunities	Good		Very Good		OK	
Contracts	4.0	D	4.0	D	4.0	D
Demonstrator	5.3	B	5.8	B	5.4	B
Programme	5.3	B	5.8	B	5.4	B

4.8.1. No change from previous review.

4.9. Value Factor 7 - Flexibility

Definition						
The service provider and his services need the ability to react to external change and to meet a diverse range of existing and potential needs, thereby maximising value for money and faster delivery of new products and services.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership	-		-		-	
Contracts	4.0	C+	3.0	C+	3.5	C+
Demonstrator	5.4	B	5.3	B	5.2	B
Programme	4.7	B	4.2	B	4.4	B

4.9.1. No change from the previous review.

4.10. Value Factor 8 : Management Capability

Definition						
The service provider management needs to be competent, customer focused, accountable, with evidence of well defined internal controls enabling a proper external focus. Suitable quality processes must be in place, and key resources must have skills and experience appropriate to their roles.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership Management Relationship Quality	Good OK		Good - Very Good -		OK + Good +	
Contracts	3.0 (4.7)	B+ (C+)	2.5	B+	4.0 (3.0)	B+ (C+)
Demonstrator	6.3	C	6.4	C+	3.5	C
Programme	4.7 (5.5)	C+	4.5	B	3.7 (3.3)	C+

4.10.1. The Demo score remained unchanged.

4.10.2. The Contracts Stream considered that since the previous review there had been considerable changes in performance by two suppliers under this Value Factor, as evidenced by behaviour during the negotiations and in the submission of the retender.

- 4.10.3. Pathway had come over as clearly the most focused and competent team since ITT. During the negotiation and retender process they had shown a willingness to meet all the Authorities' information requirements and had provided all that was required comfortably within each deadline. There was a noticeable improvement in their performance compared with previously, and they were marked up accordingly.
- 4.10.4. Cardlink's performance had fallen considerably below their previous standards, culminating in failure to complete their retender properly - evidenced by obvious gaps in the material submitted on 22 April and subsequent submission of a number of unsolicited letters amplifying what had been said. Their mark was reduced accordingly.
- 4.10.5. In establishing the Programme score, it was agreed that the previously adopted principle of averaging and rounding towards Demo should be maintained.

4.11. Value Factor 9 : Reliability and Support

Definition						
The service provider needs to anticipate and prevent problems, with robust fallback procedures for benefit payments and other customer services in the event of system failure. He should regard his first priority as maintaining continuity of service rather than referring to the contract in the event of unforeseen problems.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership	-		-		-	
Contracts	5.0	B	5.0	B	4.0	B
Demonstrator	5.5	C	5.4	C	4.9	C
Programme	5.3	C+	5.2	C+	4.5	C+

- 4.11.1. No change from the previous review.

4.12. Value Factor 10 : Stability/Coherence

Definition						
The prime service provider and his associated consortium members and/or main subcontractors need to have a stable relationship from which to provide the services. The member organisations should balance each others' skills and resources to match those needed to deliver the services. The prime service provider should show his competence to successfully lead such a group of organisations to deliver similar services.						
	CARDLINK		IBM		PATHWAY	
	Score	Validity	Score	Validity	Score	Validity
Partnership Leadership and Synergy	Very Good		Very Good		OK	
Contracts	6.0	B	6.0	B	5.0 (4.0)	B
Demonstrator	6.5	C	6.0	C	3.0	C
Programme	6.2	B	6.0	B	4.4 (3.7)	B

- 4.12.1. The Contracts stream had now had a further period to experience the difference in performance generated by the change in the Pathway company structure made immediately prior to issue of the ITT. Their score was increased accordingly.
- 4.12.2. In deriving the Programme scores, it was agreed that the previously adopted bias 70/30 bias in favour of the Contract Stream scores should be maintained.