



Jeff Triggs

21/1/98

POCL/DSS

Please find enclosed various documents as promised by Kevin in a previous meeting. Note that further documentation will follow.

Regards,

Celeste Lhoubreaud  
for & on behalf of Kevin Corrigan  
Contracts Manager.

with compliments

Post Office Counters Ltd  
King Edward Building  
King Edward Street  
London EC1A 1AA

Post Office Counters Ltd Registered in England  
No: 2154540 Registered Office King Edward Building  
King Edward Street London EC1A 1AA

Tel:  
Fax:



Copy: Joe Ashton  
Jeff Triggs  
Nick Gray  
Trevor Barnes  
Approved P. Rich 16/8  
AL

IN STRICTEST CONFIDENCE

PROJECT INITIATION DOCUMENT: PROJECT 'DEEP PINK'  
**THIS DOCUMENT IS IN STRICTEST CONFIDENCE AND MUST NOT BE  
COPIED OR FORWARDED WITHOUT DIRECTOR AUTHORISATION**


1. Background

1.1 There are significant delays to the Horizon programme.

1.2 At a programme plan level, a series of tactical actions have been taken both to baseline the programme, and strengthen resourcing and organisation, as a result of work identified by the independent PA review in October 1997.

1.3 This culminated in the appointment of a new POCL Horizon Programme Director, David Miller, to be effective from 19 January 1998.

1.4 However, at a strategic commitment level, the programme still has question marks around it. We understand from good sources that Benefits Agency, via DSS, <sup>man</sup> will be recommending a negotiated termination, together with renewed and vigorous pursuit of alternative payment methods (many excluding post offices) to Ministers. ICL Pathway, backed by Fujitsu, have informed both sponsors that their current business case is unacceptable, and they will seek higher prices and/or a contract extension as a result.

R/1 

IN STRICTEST CONFIDENCE

- 2.3 The renewed urgency of the situation, given our new knowledge about DSS' and ICL's latest positions, became clear in the last week of December 1997 and, following a meeting with the Chief Executive in preparation for him advising the PO Board and DTI Ministers, CEC were briefed on 5 January by Paul Rich and his team. A proposal was set out, following this briefing, by Paul Rich to CEC on 7 January on what needed to be done. This was accepted by CEC, and is code named 'Deep Pink'.
- 2.4 An embryonic resourcing proposal accompanied the 7 January proposal, and this has now been refined with David Morphey and Lesley Lawson, and is the subject of a separate paper from Lesley Lawson to CEC.
3. Links with other projects/exclusions from scope
- 3.1 To be clear, the running and delivery of the Horizon programme is a baton now passed to David Miller at CEC level, and is excluded from this project. There will, of course, be a need through information sharing processes for close contact to be maintained.
- 3.2 There are dependencies with the studies mentioned at 2.2 above, and again, dialogue will need to be maintained by their sponsors and/or project leaders with this project. Some of the outputs of this project are likely to become inputs to those.
- 3.3 There are also links with other projects in train (for example, the social banking study; the work-in-progress on the rephasing of our automation programme and generic applications; and information systems strategy develop; our contract development with Girobank; and PO Group's work on Government Direct). The resourcing approach, through its mix of people on core teams, supported by identified 'experts' as necessary is the key vehicle to gain good integration at working level. At director level, CEC will need to be alert to project impacts as they review progress of 'Deep Pink'.
- 3.4 This work replaced the 'HRT' project work currently led by Mena Rego which helped deal with work associated with Horizon's review by PA.
4. Structure of Projects, Team Leaders of Strands, and deliverables
- 4.1 The project sponsor is Paul Rich.
- 4.2 The project's customers are:  
a) CEC  
b) Chief Executive and, through him, the Post Office Board.  
Indirectly, all POCL's stakeholders could be affected by the outcome.



IN STRICTEST CONFIDENCE

- 5.2 There will be a core full-time team across the strands, and a call on 'experts' to form 'virtual teams' from time to time on a 'first-call' co-opted basis. The sponsor will need to ensure this 'first-call' approach happens in practice.
- 5.3 Urgent co-ordination across the strands and general progress will be provided by a project co-ordinator reporting directly to Paul Rich as sponsor.
- 5.4 Expert legal help for Strand III (and to include Strand II) will be provided by Slaughters & May via PO Legal Services.
- 5.5 Further resourcing needs are to be addressed to Lesley Lawson if/when they emerge.
6. Timescales and Reviews
  - 6.1 Timescales start is immediate and is estimated to last for 8 weeks.
  - 6.2 30 minutes (stretch to 1 hour if necessary) weekly reviews should take place at the end of Wednesday's CEC meetings, chaired by Stuart Sweetman and with CEC and strand team leaders and the project co-ordinator present. It may be advisable to co-opt experts from time to time too at these meetings (eg legal advisors).
  - 6.3 Stuart Sweetman is to decide how best to update POEC/PO Group colleagues of progress.
7. Costs
  - 7.1 Most costs are use of managerial time; there will be costs for use of Slaughters & May through usual Group arrangements.
8. Communication
  - 8.1 This is a restricted document. Any communication of this project should be positioned as part of the Strategic development studies work we are known to be undertaking.

PAUL RICH  
Development Director  
13 January 1998

Commercial: In Strictest Confidence  
**MINUTES FOR**  
**Legal Contingency Planning Meeting**

Action:

- 2.0 **Noted** that ICL Pathway had given their own presentation to DTi- (McDonald & Sibwick) and a copy shared with POCL. **Agreed** a copy of slides would be passed to Slaughters. **Noted** DTi had been invited to visit Feltham to view the Horizon system with Dave Miller (the POCL Project Director). **Agreed** that Kevin Corrigan would offer to support Dave Miller at the visit. KC
- 3.0 **Noted** Mena Rego was leading the Commercial and Legal arms of the project. Whilst Mena was on leave, Kevin Corrigan would lead the legal workstream and call on Slaughters as needed. -
- 4.0 **Noted** AJR had met Ann Bowtell (DSS Permanent Secretary). If the personal notes of this meeting were cleared, a copy would be passed to Slaughters. The main points appeared to be that DSS realised unilateral termination was not realistic, termination for default is likely to be messy and DSS would prefer ICL to simply pull out. DSS appeared to be willing to continue the programme until an (unspecified) autumn milestone. Failure to deliver would further erode their confidence in Pathway's ability to deliver. -
- 5.0 **Noted** Keith Todd was scheduled to meet Peter Matheson (15th January, 1998) to say the 30% price rise was not acceptable to the Authorities. -
- 6.0 **Noted** DSS appeared to indicate that for contingency purposes, and on a confidential basis they would be interested in discussing an alternative to Horizon. -
- 7.0 **Noted** DSS appeared to be holding itself out to represent POCL at the Todd/Matheson meeting. If commercial discussions are to take place two key areas should be borne in mind:-  
 1) ICL Pathway have no automatic right to a price rise; and  
 2) any discussions should be on a strictly "without prejudice" and "subject to contract" basis. -
- 8.0 **Agreed** that a draft letter be drawn up from POCL to ICL Pathway setting out various optional paragraphs including one pointing out that we do not believe ICL Pathway are entitled to any price rise under the contract. NG/TB
- 9.0 **Agreed** that a paper setting out the trade offs between various options, (e.g., continue with programme, current breach position, autumn milestone) and potential next steps (legal, practical) would be drafted. NG/TB
- 10.0 **Noted** that although passage of time dilutes non-exercised contractual rights (e.g., current breach) the more important consideration is whether one continues to operate and fulfil the other contractual rights, duties and obligations of the contract. **Noted**, however the letter sent by Peter Crahan specifically reserved all the Authorities rights regarding breach. -

Commercial: In Strictest Confidence  
**MINUTES FOR**  
**Legal Contingency Planning Meeting**

Action:

- 11.0 **Noted** that the terms of reference for an Independent Consultant had been received. **Agreed** a reply would be drafted for Paul Rich, constructively critiqueing the proposal.

KC/JA  
NG/TB

DS101165

Urgent 19/1

Mr P. Crahan  
Programme Director  
BA/POCL Programme  
Third Floor  
Terminal House  
52 Grosvenor Gardens  
London SW1W 0AB

- ① Kern - need a legal review on the letter - is my action needed?
- ② my legal file
- ③ cc Dave Miller for info



12th January 1998

Dear Peter,

Planning Dates for ICL Pathway New Release 2

Thank you for your letter of 23<sup>rd</sup> December. We can understand that, for reasons of reducing overall programme risk, you would wish to introduce a safety margin between having the software ready and deploying it. However, this was not contemplated in the Related Agreements. On the contrary, they contemplated a single release of software rolled out to 300 offices a week from a base of just 60 Live Trial offices. The programme now in contemplation, with its incremental releases and ramp up of infrastructure, already effects a significantly reduced risk profile.

The reduction in programme risk of a January start date as compared with an October start date does not come without cost, notably to ICL Pathway in terms of lost revenues, and in any event the increased "certainty of delivery" would be small. We maintain that Live Trial for October 1998 is viable, that the contemplated delay and further lost revenue compounds the losses ICL Pathway already faces and that the further delay is not of our choosing.

We note your reminder that you have served notice of breach upon us as well as your reference to "the level of improvement required" in our management and technical resources. For the avoidance of doubt, we do not accept responsibility for the (continuing) delay in achieving Acceptance, and similarly reserve our position on the relevant rights and remedies.

Since my letter to you of 12<sup>th</sup> December we have submitted, as requested, on 19<sup>th</sup> December, our without prejudice views on the options for re-establishing the contract terms for the BA/POCL Programme. I suggest we handle any further discussions on this topic in this wider context, recognising that time is now of the essence

Yours sincerely,

**GRO**

cc: P. Rich, G. McCorkell, P. Kelsey

J. H. Bennett  
Managing Director

ICL Pathway Ltd  
Forest Road  
Feltham  
Middx TW13 7EJ

Tel **GRO**  
Fax

ICL Pathway Ltd  
Registered in England no 3011561  
Registered Office  
1 High Street  
Putney  
London SW15 1SW

NO.710 P003

05/09/94 15:19

30. 8. 94 Supplement to the Official Journal of the European Communities No S 165/107

**UK-Swindon: computer and related services**

(Open to US bidders)  
(94/S 165-58957/EN)

1. **Awarding authority:** The Post Office, Purchasing and Logistics Service, GPAJ, Wheatstone Road, Dorcan, UK-Swindon SN3 5HG (on behalf of Post Office Counters Limited (POCL)).

and  
The Departmental Information Technology Authority (DITA) (on behalf of The Secretary of State for Social Security, Government Buildings, Moorland Road, UK-Lytham St Anne's FY5 3ZZ, Lancashire).

**Copy of service and description, CPC reference number:**  
Computer and related services, CPC reference No 84.

POCL are procuring computer and other services, including related marketing services, to support its operations for its full range of clients, both at point of sale and in back office processing, including replacement of existing facilities and assistance with the development and support of new business products.

A major function of this service will be to support the authorization, payment and accounting for the Department of Social Security's (DSS) and other Government Departments' services.

In addition to the services required by POCL, the DSS on behalf of itself and DHSS Northern Ireland is seeking under this procurement the provision of complementary computer, accounting and other services.

3. **Delivery to:** Approximately 22 000 locations, the majority of which are United Kingdom Post Offices and Benefit Offices.
4. (a) **Reserved for a particular profession:** No.  
(b)  
(c) **Names of and qualifications of personnel:** No.
5. **Division into lots:** Service providers to bid for the whole POCL requirements but any contracts awarded may be divided into lots. Bids or contracts for the remaining services may be divided into lots.
6. **Number of service providers which will be invited to tender:**  
No specified number.

**Negotiated procedures (continued)**

relevant experience over the past 3 years:

the service providers measures for ensuring quality, including details of any registration under any European, international or equivalent national, quality standard;  
criminal convictions or grave misconduct in relation to the service providers' business;  
any failure to pay social security contributions or taxes.  
Note: if the service provider is unable to provide any of the above information, equivalent documentation should be provided.

7. **Variants:** Service providers may offer alternatives, but must bid on the minimum specification that will be given in the contract documents.
8. **Duration of contract or time limit for completion of the service:** 5 years from the date completion of implementation is required.
9. **Legal form in case of group bidders:** No special legal form is required for a group of bidders but prime contractorship must be assumed by a single contractor on behalf of members of the group.
10. (a)  
(b) **Deadline for receipt of applications:** 23. 9. 1994.  
(c) **Address:** POCL/BA Development Group, c/o Mr Patrick Sedgwick, Room 510, Golden Cross House, 3 Duncannon Street, UK-London WC2 4NJ, tel. (071) 930 30 01, telex (071) 930 39 53.  
(d) **Language(s):** English.
11. **Deposits and guarantees:** No deposits are required, but guarantees may be required.
12. **Qualifications:** The following documentation is required, unless this has already been provided to POCL or DITA, in which case state under which procurement and to whom it was provided:  
a copy of the service provider's latest annual report and audited accounts for the past 3 years, showing profits over the period.

13.  
14. **Other information:** Service providers may be asked to pilot their proposed solutions.  
It is desirable that services provided as a result of this procurement are supplied under the terms of the British Government's Private Finance Initiative.  
Further details of its application in this case will be made available with the further information issued to service providers, expressing an interest, following 23. 9. 1994.  
The awarding authorities intend to award a contract or contracts to 1 or more service providers.
15. **Notice postmarked:** 17. 8. 1994.  
16. **Notice received on:** 17. 8. 1994.  
17.

\*\*\* TOTAL PAGE.02 \*\*\*

17 DEC '97 16:18 FROM

TO 97763951

P.04/65

DRAFT

**RESTRICTED - MANAGEMENT AND COMMERCIAL**

John Bennett  
Managing Director  
ICL Pathway  
Forest Road  
Feltham  
Middlesex  
TW13 7EJ

Your statement that BA/POCL are responsible for delaying roll out for their own reasons is, as you well know from both discussions and previous correspondence, entirely without foundation.

15 December 1997

Dear John

**PLANNING DATES FOR ICL PATHWAY NEW RELEASE 2**

Thank you for your letter of 12 December 1997 covering the above. As you point out, we have a draft note from Alec Wylie covering the dates we agreed at the PDA Board on 11 December as planning assumptions for Release 2. These would see a Live Trial from January 1999, start of National Rollout from April 1999 with the contracted date for the end of Operational Trial being July 1999. As you are aware, all of the above is predicated, among other things, on reaching agreement with sponsors on the Release Contents Definition which we are pursuing actively. In the meantime, of course, all communications on this matter are without prejudice and subject to contract.

~~You are correct in stating that these dates are later than those initially proposed by ICL Pathway but you should be aware from both discussion and previous correspondence that ICL Pathway's proposals were assessed as unacceptable for a number of reasons, inter alia:~~

- ~~Your plan was aggressive and our previous experiences would suggest that additional contingency was required;~~
- Your own presentation showed that you only have 80% certainty of delivery to these earlier dates. This would not be sufficient to satisfy sponsors or Ministers.
- Whilst it is recognised that ICL Pathway have strengthened both the management and technical resource deployed on the programme, we do not have empirical evidence yet that the level of improvements required is being achieved.

While you may have proposed such dates it is clear to us all that ~~they~~ you never had any real prospect of meeting them

~~It must therefore accept your statement that BA/POCL are responsible for delaying roll out for their own reasons. This is clearly not the case.~~ The planning dates we have agreed offer a realistic prospect of delivery against which all parties to the programme can now plan for the significant effort required in assurance, migration and implementation

In your final paragraph you are correct in stating that all parties will work positively to have the software components of new Release 2 available for 5 October 1998. However, we have not yet agreed that, in these circumstances, the Live Trial would start at that time or that there are "other gating items outside the ICL Pathway domain". We have agreed to explore a range of options for sensible activity which could potentially occur between October 1998 and January 1999.

Yours sincerely

P E CRAHAN  
Programme Director PDA

cc: P Rich  
G McCorkell  
P Kelsey

We have already given you notice of breach of the Related Agreements by our letter of 24<sup>th</sup> November. We continue to reserve our position on our rights and remedies resulting from your breach until further notice.

H0184 05

Mr P. Crahan  
Programme Director  
BA/POCL Programme  
Third Floor  
Terminal House  
52 Grosvenor Gardens  
London SW1W 0AB



28<sup>th</sup> November 1997

Dear Peter,

**Related Agreements between Secretary of State for Social Security, Post Office Counters Limited and ICL Pathway Limited dated 15<sup>th</sup> May 1996 (as amended)**

Thank you for your letter dated 24<sup>th</sup> November 1997 noting that Operational Trial was not completed by the current contractual milestone date of 21<sup>st</sup> November. ICL Pathway rejects entirely any claim that such failure was due to its own default, and similarly is reserving its position on its rights and remedies until further notice.

We confirm that it is also our strong desire to find a mutually satisfactory way to continue with this important Programme and will continue to engage fully in discussions to arrive at such an arrangement. For the avoidance of doubt, we confirm that all such discussions are without prejudice and subject to contract.

Yours sincerely,

**GRO**

J. H. Bennett  
Managing Director

**ICL Pathway Ltd**  
Forest Road  
Feltham  
Middx TW13 7EJ

Tel: **GRO**  
Fax:

ICL Pathway Ltd  
Registered in England no 3011561  
Registered Office  
1 High Street  
Putney  
London SW15 1SW



Benefits Agency and  
Post Office Counters Ltd  
Third Floor  
Terminal House  
52 Grosvenor Gardens  
London SW1W 0AB

telephone

facsimile

**GRO**

24th November, 1997

John Bennett  
Managing Director  
ICL Pathway  
Forest Road  
Feltham  
Mddx  
TW13 7EJ

Dear *John,*

**Related Agreements between Secretary of State for Social Security, Post Office Counters Limited and ICL Pathway Limited dated 15 May 1996**

I am writing on behalf of both Authorities to give notice of breach of the above contracts, as you have failed to complete the Operational Trial by the designated contractual milestone of 21 November 1997. We are reserving our position on rights and remedies resulting from this breach until further notice, but do not intend to exercise these at present.

On the contrary, it is our current intention to continue in discussions with you on re-planning the way forward of this Programme. For the avoidance of doubt, however, these discussions are without prejudice and subject to contract.

Yours sincerely

**GRO**

Peter Crahan  
Programme Director





RESTRICTED - MANAGEMENT & COMMERCIAL

Peter Crahan  
BA/POCL Programme Director  
Terminal House  
52 Grosvenor Gardens  
LONDON  
SW1W 0AB

Post Office Counters Ltd  
Development Director

20 January 1998  
200198b

*Dear Peter,*

TERMS OF REFERENCE FOR INDEPENDENT CONSULTANT

Thank you for your memorandum of 14 January setting out terms of reference for an Independent Consultant. I am grateful for the work Bird & Bird have done. As promised by my letter of 16 January, I am replying on behalf of POCL, prior to the pre-PDA Board this Thursday.

As we have previously said, it is very important for us to understand the causes of the failure to meet the operational trial milestone of 21 November 1997. However, we should of course guard against the creation of a document which could be used against our interests.

We agree that the instruction of the Independent Consultant should be effected through Bird & Bird for reasons of both procurement law and documentary privilege.

Overall view - purpose of the report

In headline terms, I am pleased to say that we should proceed, subject to this letter. We consider the expert's remit should be limited to establishing the technical causes of the failure to meet the Contractual Milestone 21 November 1997, together with the extent to which each of the technical causes as identified has contributed to the delay. We think it important that the independent expert should not express any opinion on the legal implications of his views - this being a matter on which appropriate legal advice could then be sought.

Post Office Counters Ltd  
King Edward Building  
King Edward Street  
London  
EC1A 1AA

Telephone: GRO  
Facsimile:

Post Office Counters Ltd Registered in England  
No: 2154540 Registered Office King Edward Building  
King Edward Street London EC1A 1AA

- 2 -

20 January 1998

Peter Crahan

More detailed points

Our agreement to proceed is subject to the following points (adopting your Terms of Reference numbering):

- (5) We would like to understand what classes of documentation held by the Authorities (and not already by the Programme) could be considered directly relevant to the purpose you have set out.
- (6) We would also prefer not to include examination of Pathway documentation and staff at this juncture. We do not think the validity of the independent experts report would be prejudiced, however, should it look necessary for the independent consultant to consult Pathway staff/ documentation, at that point we should review our position, together with other sponsors.
- (7) Our view on the purpose of the report is set out above.
- (8) Agreed, but in addition we would require the following:
  - a) Independent Expert to sign a contract with an effective confidentiality clause agree by the Authorities.
  - b) Each party to agree to keep the report confidential to its own organisation.

Further we would require the following:

- (9) Neither Authority may use the report except with the consent of the other.
- (10) POCL should agree the wording of the letter of Instruction and have sight of the documents which are to accompany it.
- (11) The independent consultant must be instructed to issue his report in draft and POCL and BA are to be given a reasonable opportunity to comment on the draft before the final version is issued.
- (12) Could you please confirm that ownership/copyright of the report is jointly vested in the Authorities, and not in Bird & Bird or in the consultant.

- 3 -

20 January 1998

Peter Crahan

Short list of Potential Consultants

Thank you for letting us have a CV for Mr Davies. Would it be possible to consider the CVs of the other three candidates whom Bird & Bird considered, before we definitely proceeded with Mr Davies.

I look forward to discussing how best to progress the matter now at the pre-PDA Board to take into account the above points.

Yours sincerely

**GRO**

PAUL RICH

Copy: pre-PDA Board members  
Stuart Sweetman  
Peter Mathison



Post Office Counters Ltd

Mr. Nick Grey  
Slaughter & May  
35, Basinghall Street  
London  
EC2V 5DB

20th January, 1998  
KC/2001\_S&M.DOC

Dear Jeff,

**Re: Drop Down of Related Agreements Schedules**

I have discussed the status of drop down (extrapolation) schedules with the PDA Contracts Team. I am told the exercise is complete and ICL Pathway have written to confirm that they consider it complete.

As you are aware, the Authorities and ICL Pathway agreed a major change (CCN 105) which amended key elements of the contract, in particular specifying the end date of the POCL Agreement as September 2005 and the DSS Agreement May 2005 (in line with Contract A).

Although schedules were amended as a result of CCN 105, two key areas remain outstanding:-

- (i) Schedule A06, there remains a difference between Pathway and the Authorities whether CCN 105 merely slipped the payments during the Roll Out period or recalibrates them.
- (ii) Schedule B7, there remains a difference between Pathway and the Authorities on whether Operational Trial, Roll Out and end date should be dependent/linked to CAP's software release dates.

\: It

Post Office Counters Ltd  
King Edward Building  
King Edward Street  
London  
EC1A 1AA

Telephone  
Facsimile **GRO**

Post Office Counters Ltd Registered in England  
No: 2154540 Registered Office King Edward Building  
King Edward Street London EC1A 1AA

Page (2),  
Nick Grey  
20th January, 1998

It is these two areas of difference that I confused as being outstanding from schedule drop down. My apologies for being mistaken. I trust this effectively removes the potential of a Pathway right to termination for non Agreement of Schedules drop down.

Should you need anything further please get in touch.

Yours sincerely,

**GRO**

Kevin Corrigan  
Contracts Manager

cc: Paul Rich (POCL - Development Director)  
Keith Baines (POCL)  
Joe Ashton, (POCL - Legal Services)  
Jeff Triggs (Slaughters & May)  
Trevor Barnes (Slaughters & May)