

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE**

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POST OFFICE AND BENEFIT AUTOMATION

BENEFIT PAYMENT APPLICATION

BUSINESS CASE

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EXECUTIVE SUMMARY**Introduction**

1. This case is the final business and financial statement for the Benefits Agency contribution to the wider BA/POCL Programme. It builds on the BA/POCL Development Group Feasibility Studies which were accepted by Ministers in early 1994 and were the basis on which the Treasury approved continuance of the Programme in July 1994.
2. The endorsement for the Programme's strategic and business fit was obtained in December 1995. This case is now submitted to seek financial approval for the award of contract to the recommended supplier, chosen in accordance with the Evaluation Board's findings.
3. The case outlines BA (including Social Security Agency (NI) and War Pensions Agency) elements of the BA/POCL Programme development and includes costs which will be charged by suppliers. Although this primarily deals with BA-related issues, the dual responsibility for the project means that much of the evaluation and implementation work will remain a joint venture.
4. The BA/POCL Programme is being taken forward as a Private Finance Initiative (PFI) in line with current Government policy. The chosen supplier has adequately satisfied the Programme that all the PFI criteria have been met. This business case deals with the approval of BA-related costs and a separate HMT submission deals in more detail with the rationale behind the PFI option.

Background

5. The current system of payment of Social Security benefits, although it delivers payment to the vast majority of customers successfully and reliably, suffers three major business deficiencies:
 - (1) vulnerability to encashment fraud
 - (2) inadequacy of accounting and management information

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- (3) high administration costs
6. In August 1993 a joint BA and POCL Development Group was established to explore alternatives to the current orderbook system for paying benefits through Post Office outlets to minimise these deficiencies and ensure the continuance of a national post office network. A feasibility study report was produced which proposed that a new system should give:
- (1) positive authorisation of benefit payments at the point of payment by
 - (2) electronic transmission of instruction to pay from a central database through a network of terminals on all Post Office counters with
 - (3) the token held by the customer having no intrinsic value but acting as a key to access the data.
7. A separate working group involving Employment Services and Girobank as well as BA/POCL confirmed that the system proposed for orderbooks could also be used to replace girocheques.
8. Alternative options which have been considered by the Department included:-
- An in-house option
 - Extending use of ACT
 - Extension of the existing Electronic Stop Notice System (ESNS)
 - An additional option was also considered to increase savings during the introduction of a card based system by incorporating an extension of ESNS using equipment rolled out for card payment system.
- 8.1 An in-house or Public sector option was considered, but rejected as the Department had no experience of card-based systems and would still have had to go outside the Public Service. Such a procurement would have been similar to a PFI approach but with a requirement for capital expenditure for which funds were not available within current PES baselines.

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- 8.2 Alternative approaches which had been considered included greater use of ACT as a benefit payment method. This would have brought admin savings of £187m pa and benefit savings of £108m pa but would have put sub post offices at risk and was therefore not taken forward.
- 8.3 Consideration was given to the possibility of extending the current ESNS system (previously called ALERT) based on a simplified computer system in post offices within the M25 area. This would have required the separate purchase of 33,000 terminals and replacement of the POCL's current central processing facilities. Costs would be an additional £40m per annum to deliver such a service and would have delivered £112m fraud savings without any administrative savings. There would be no accounting information available to support reconciliation.
- 8.4 A separate feasibility report was produced in February 1996 to consider options for national extension of ESNS (renamed Order Book Control System (OBCS)) as part of the PFI proposals to achieve earlier realisation of fraud savings. While this would increase fraud savings it would also increase admin costs over the period of roll-out in the form of an increase in transaction charges (see separate report).
9. The Development Group recommendations for a card based system were accepted by senior management in both BA and POCL and by Secretaries of State for DSS and DTI. The project was also approved in principle by the Prime Minister, to whom it had been submitted in the context of the Fraud and Security Efficiency Scrutiny Report.

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Objectives

10. As partners in the joint programme, BA and POCL have committed to the overall objectives for automating benefit payment which has a high relevance to the business of both organisations and is considered important in combating the shortcomings identified above. Additionally, the introduction of a new method of payment, with the development of the CAPS Programme, will contribute to the Agency's business vision and IS/IT strategy which aim to fundamentally improve how services are delivered. These developments are also consistent with the Departmental strategic position.
11. The encashment of benefits at post offices will be conducted by use of a card which once authenticated, unlocks payment details held in a Payment Authorisation System (PAS). Therefore the value is held in the system and not in the card.
12. The Card Management System (CMS) which is to be provided by the suppliers, will be responsible for arranging the supply, personalisation and distribution of the benefit payment card and monitoring its status throughout its life.
13. The Payment Authorisation System (PAS) will receive authorised payments from CAPS Customer Payment Computer System (CPCS). When the customer presents their payment card at the post office counter PAS will authorise any payments via the POCL Transaction Management Service (TMS). Payment encashment will be undertaken via the Benefit Encashment Service (BES).

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Scope

14. The scope of the BA/POCL Programme is all those activities necessary to provide automated services at Post Office counters to support the end-to-end process of paying benefits there by means of a benefit payment card.
15. The Programme Delivery Authority will have direct responsibility for the activities which are required to deliver the Programme. It will also have oversight of other projects and activities in BA and POCL on which it is dependent

Development Options

16. The PFI approach to this project was recommended and agreed in July '94 following the BA/POCL feasibility study. The procurement process began in August 1994 and took the Negotiated Procedure route as specification of the service could not be established with sufficient precision to enable suppliers to submit detailed, fully costed tenders at the outset. Supplier responses to the Statement of Service Requirements, issued on 13 April 1995, were evaluated and a shortlist of 3 suppliers were invited to develop their proposals for further evaluation, testing and negotiation before Invitations To Tender (ITT) were issued. All three suppliers responded to the ITT which was issued on 29 February 1996.

Evaluation

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17. The evaluation process considered a number of aspects including technical, contractual, financial, partnership potential, risk transfer and service value factors. The successful supplier was considered best in contractual and risk transfer aspects and equal first on cost. Partnership potential and technical solution were considered acceptable. The only area of concern was a weak measurement in value factors relating to creditability of delivery and implementation due to their unique technical approach. This, together with their management capability, were considered low risk areas which in the final evaluation were far outweighed by price and by being the only compliant bid on risk transfer. This was considered vital to its acceptability as a PFI compliant contract.

Costs and Benefits

18. The investment appraisal covers the costs and benefits attributed to the introduction and operation of the Benefit Payment Card and the BA share of the costs associated with automating post offices. There is a reduction in the cost of administration of benefit payment and also a significant increase in the prevention and detection level of benefit fraud which the card system will achieve.
19. The Appraisal is over 10 years, with sunk costs in financial years 1994/5 and 1995/6 and eight years of the contract. The NPV over this period is £1036m which includes additional fraud savings if the OBCS option is included. The supplier's charges have reflected both with and without OBCS.
20. The business case reflects all known costs relating to the BA's responsibilities for administration of the card system including changes and additions to current processes relating to Instruments of Payment. It also includes all aspects of service charges which will be paid directly to the supplier (PAS and CMS) or via POCL (BES) as well as the increased charges relating to POCL services covered by a separate commercial contract with BA for all payment transactions undertaken by POCL on behalf of BA. Some allowance has also been made for increased costs due to possible future increased charges related to change controls. The full cost of administration over the IA period is £897m.

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21. Administrative savings relating to reduced administration costs of production and maintenance of IOPs and reduction in the costs of administering the new process.
22. Programme savings relating to an increase in benefit fraud prevention are a major element of the overall NPV. While these savings have been recalculated using more accurate ESNS data they are still considered to be a conservative estimate of the potential amount of benefit payment 'at risk' of fraudulent encashment in future years through continued use of order books.
23. In addition to the financial benefits to accrue as a result of the implementation of the benefit payment card application, non-financial benefits can also be delivered. These benefits fall into six main areas:
- (1) Customer Service (affects both DSS and ES)
 - (2) Accounting.
 - (3) Value for Money for Taxpayers.
 - (4) Safeguarding a POCL National Network.
 - (5) Improved fraud prevention.
 - (6) Substantial Govt business risk transferred to Private Sector in the following areas:-
 - Development
 - Trialing and commissioning
 - Operation/Service levels
 - Volumes including Public Policy Changes
 - Fraud (including clerical error)
 - Costs/RPI
24. While the majority of these benefits are of direct advantage to DSS and to BA in particular, it has been accepted that safeguarding a POCL National Network has precluded BA from achieving the greater administrative savings that would be possible if ACT was encouraged as the prime method of paying benefits. (See para 8.2)

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Risk and Dependencies

25. High level risks to the programme, including those stemming from dependence on projects outwith the Programme's scope, have been identified and a system for managing/eliminating those risks has been introduced. In addition, sensitivities associated with possible delays to delivery of the card payment system or of CAPS, and volume changes over the life of the contract have been assessed. Within the majority of parameters tested the overall business case remains affordable in terms of administrative expenditure. The overall NPV remains strong when programme savings are included.

Programme Control

26. A Committee and Management Structure is in place to provide direction, exert appropriate control over all elements within the programme and track progress. All committees will be used fully and effectively to ensure the delivery of a value for money service.
27. The programme will conduct a post implementation review, particularly important in this instance due to the 'pathfinder' status of the PFI elements.

Conclusion

28. The programme represents a major change to the strategic use of IT in the Department. It provides a fraud-free method of payment and at a healthy return on investment through substantial gain in programme savings. It also provides an improved single database on customers and supports greater efficiencies in the Department's accounting processes.

Recommendations

29. The principal recommendations made are:
- (1) that the programme should continue to the point of implementation because:
 - (a) the programme meets all the main BA objectives;

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- (b) the programme fulfils the strategic requirements of the BA IS/IT strategy, One Stop Project and Security Strategy;
- (2) a contract for the development, design and management of the automated benefit payment system be awarded to the chosen PFI supplier as per recommendations contained in the Evaluation Board's report.

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1. INTRODUCTION

- 1.1 Benefits Agency (BA) together with Post Office Counters Ltd. (POCL) has established a joint programme to provide automated services to support the end-to-end process of paying all of a person's social security benefits administered by BA/SSA(NI)/WPA through post offices - replacing order books and girocheques by a new product based on a plastic card.
- 1.2 This business case has been prepared as the final step in a process which culminates in approval to sign contracts. References to BA should be taken to include War Pensions Agency (WPA) and Social Security Agency (Northern Ireland) (SSA (NI)) who are parties in the project.
- 1.3 The BA/POCL Programme is going forward as a Private Finance Initiative (PFI) in line with current Government policy and following HMT guidelines. The business case reflects the latest position on commercial negotiation with both the chosen supplier and POCL. Final PFI charges for the chosen supplier and contractual issues with POCL have now been finalised. All these charges have been incorporated in the investment appraisal associated with this business case. The order of rollout of benefits on CAPS has been agreed with Minister and should only be subject to minor changes. This case is submitted to obtain Financial Approval for the Departmental expenditure required by this project.
- 1.4 The case covers the period from August 1993 when the joint Benefit Agency (BA) and Post Office Counters Ltd (POCL) Development Group began their work. It highlights the extent to which the original proposals contained within the Feasibility Study have changed and how the scope of the programme has widened.
- 1.5 In addition to the analysis of costs and benefits which covers the period 1994/95 to 2003/04 the following areas are considered, explained and put into a programme context:

- * objectives
- * Scope
- * Development and Funding Options
- * Procurement Process and timetable

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- * Risk and Dependencies
- * Programme Control
- * Contract Management and Evaluation

1.6 The case sets out the reasons for the course of action taken by the programme and confirms that the Benefit Agency will meet its value for money criteria.

2. **BACKGROUND**

BA/POCL Feasibility Study Report.

2.1 The current system of payment of Social Security benefits has been in place, essentially unchanged, for at least 40 years. Although it successfully delivers payment to the vast majority of customers it suffers three major business deficiencies:

- (1) vulnerability to encashment fraud
- (2) inadequacy of accounting and management information
- (3) high administration costs

2.2 It was agreed at an early stage that because benefit payments represented a large element of POCL business it was essential that BA and POCL should work together to ensure that their mutual interests would be assessed. In August 1993 a joint BA and POCL Development Group was established to explore alternatives to the current orderbook system for paying centrally administered benefits through Post Office outlets in order to minimise these deficiencies, while maintaining customer choice.

A feasibility study report was produced [Strategy for Benefit Payment at Post Offices February 1994] which proposed that a new system should give:

- (1) positive authorisation of benefit payments at the point of payment, by
- (2) electronic transmission of instruction to pay from a central database through a network to terminals on all Post Office counters, with

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- (3) the token held by the customer having no intrinsic value but acting as a key to access the data.
- 2.3 A wide range of potential solutions were generated and after rigorous evaluation the Development Group recommended that early savings could be achieved by a phased implementation of a system which progressed from the Electronic Stop Notice System (ESNS) pilot (formerly ALERT) to a magnetic stripe plastic payment card.
- 2.4 Progression to a plastic card plus biometrics could not be recommended because of the technical risks, potential customer unacceptability and the high costs attached to this technology. This option would be kept under review and the magnetic stripe payment card would have the capacity to incorporate developments in this area, at a later stage.

OTHER OPTIONS**2.5 Public Sector Options**

- 2.5.1 In most PFI cases it is considered necessary to compare with the development of an in-house alternative. The Department did not assess this in great depth because:-
- a) it did not have the necessary experience in plastic card processes,
 - b) it would require significant capital expenditure which was outside current PES provision,
 - c) it would still have required a similar external tender for the majority of the process, and
 - d) other cheaper alternatives such as extending ESNS or the use of ACT were available.

2.6 ESNS Extension

- 2.6.1 Consideration was given to the possibility of extending the current ESNS system (previously called ALERT) which is based on a simplified computer system for offices within the M25 area.

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- 2.6.2 Order book data is obtained by linking benefit systems and the common payments package into the Payments Repository Computer System (PRCS). A national list of stop and recall notices is produced daily and updates are collected overnight by the POCL computer establishment at Farnborough. These are transmitted to the post offices within the M25. Information is uplifted from post offices on order book receipts, redirections and transactions.
- 2.6.3 Extension of this system outside the M25 area would require significant new investment in computer terminals to all post offices i.e. 33,000. In addition, Farnborough computer facilities would need to be replaced as they are relatively old and have reached their capacity. Current internal ITSA development and delivery costs will also be involved.
- 2.6.4 Other limitations of this approach would be
- (1) the continuation of a paper based system would not produce the administrative savings e.g. order book and giro production costs etc.
 - (2) ESNS would not produce manpower savings in district offices
 - (3) ESNS could not capture giro fraud or clerically produced order book fraud
 - (4) ESNS would not eliminate counterfeit and manipulation fraud
 - (5) with advanced technology barcoding equipment in use would still remain susceptible to abuse
 - (6) significant cost of equipment in post offices.

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2.6.5 Although on-line facilities would not be necessary, the infrastructure of a central processing unit and localised terminals would be of an order of magnitude which would require a formal procurement process to be undertaken, and if put out to tender, the cost for such a service provided by an outside supplier would be comparable to the OBCS transaction costs currently assessed to be about 7p.

2.6.6 Programme savings would also be lower because of the larger elements of fraud activity not covered. Fraud risk would also continue to remain on order books recalled but not yet stopped. The estimated ESNS national level of fraud savings would be approximately 60% of that anticipated by the use of cards. This approach is estimated to require a further £40m pa in running costs to deliver £112m in fraud savings.

2.7 Extending ACT

2.7.1 For comparison purposes, the opportunity to extend the mandatory use of ACT for all benefit recipients who have bank accounts would enable the current 23% of payments made via ACT to be increased to 70%.

2.7.2 While this approach would not eliminate benefit fraud it would reduce costs of IOP handling back at District offices and via computer output including reduction in printing and postage costs. Reductions could also be made to the variable costs of transaction-related services provided by POCL and Girobank. Some saving in fraud detection work in the Department would also be achieved. The only increase in costs would be for a higher level of ACT transaction charge.

2.7.3 The overall impact of this approach would be to reduce administrative costs by £187m pa and increase fraud savings by £108m.

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2.8 Order Book Control System (OBCS)

2.8.1 A subsequent option followed on from the development of the requirements for the card payment project. The inclusion of bar-code readers as an integral part of the proposed technology solution required by POCL for the card payment system would enable OBCS (formally ESNS) to be rolled out to all Post Offices ahead of the anticipated timetable for issuing cards for all benefits. This increased benefit savings would be feasible over the roll-out period. A separate feasibility report was produced in February 1996 to consider options for inclusion as part of the BA/POCL programme. It was estimated that an additional £55.88m of benefit savings could be achieved. The costs of the OBCS transaction charges in the roll-out period are identified as an optional element of the suppliers overall charges together with a limited in-house cost for IT development and training. These costs are included in the attached Investment Appraisal.

OTHER RECOMMENDATIONS

2.9 Most significant of the other recommendations made was that the private sector should be involved in the development of this system for the following reasons:

- (1) skills and experience of card management not held by either BA or POCL are available in the market and would significantly reduce risk;
- (2) introduction of a competitive element would help contain costs;
- (3) the aggressive timetable envisaged would be more likely to be met;
- (4) private sector funding would reduce the amount of capital required from the Exchequer;
- (5) would be in line with current Government policy on competition, market testing and so on;
- (6) private sector involvement might enable both BA and POCL to seize the opportunity to progress other initiatives.

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- 2.10 A separate working group involving BA/POCL, Employment Services and Girobank was set up to consider a replacement system for girocheques. The group produced a feasibility study report [Strategy for Benefit Payment at Post Office Counters April 1994] confirming that the eventual system proposed for orderbooks could also replace girocheque payments. Migration directly to a plastic benefit payment card was recommended because some 80% of lost/stolen girocheques are cashed before being reported missing and a stop notice system would not therefore be cost effective.
- 2.11 The Development Group recommendations were accepted by senior management in both BA and POCL and by Secretaries of State for DSS and DTI. The project was also approved in principle by the Prime Minister, to whom it had been submitted in the context of the Fraud and Security Efficiency Scrutiny Report.

Subsequent Developments

- 2.12 A number of important developments followed the publication of the feasibility report, notably:
- (1) a decision to pursue the project under the auspices of the Government's Private Finance Initiative;
 - (2) recognition that a paper based system would not be attractive to the private sector and would delay the delivery of savings;
 - (3) acknowledgement that private sector involvement would allow the plastic card to be introduced more quickly than could otherwise have been achieved;
 - (4) increasing realisation that the IT platform in post offices required to automate benefit payment also opened opportunities to automate other POCL activities and attract new business;
 - (5) a separate feasibility report was produced in February 1996 to consider options for national extension of ESNS (renamed as Order Book Control System (OBCS)) as part of the PFI proposals to achieve earlier realisation of Fraud savings.

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While this would increase fraud savings it would also increase admin costs over the period of roll-out in the form of an increase in transaction charges.

Political Context

2.13 Political gains from the successful automation were identified as primarily:

- a net gain to the public sector from a reduction in social security spending;
- a highly visible and effective initiative supporting the strategy to combat social security fraud;
- active support from the DTI and DSS for a nation-wide network of Post Offices;
- success of a major development in terms of the Private Finance Initiative.

2.14 Ministers confirmed their commitment to the objectives of the programme and accepted that this approach precluded the DSS from progressing the mandatory use of ACT as the preferred and cheapest method of paying benefits.

- (1) On 11.5.94 the Secretary of State for Social Security made a public statement to the National Federation of Sub-Postmasters(NFSP) conference of his support for the introduction of a benefit payment card and the automation of post offices to combat fraud and secure the future viability of a national post office network;
- (2) At the 1995 NFSP conference the Minister of State for the Department of Trade & Industry reaffirmed Government support, assuring Sub-Postmasters that the network would be automated as part of the BA/POCL Programme.

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- 2.15 Further public statements by various Government Ministers have been made in support of the aims of the programme. These included reference in the Government's Green Paper on the future of the Post Office, where it was stated that "automation is the best way of securing a future for the business, its employees and agents".
- 2.16 During 1994 the Government has been considering ID and multi-function cards. A Green Paper on ID cards was published during the Spring of 1995 and work on multi-function cards continues. There is clearly a possibility that a benefit payment card might eventually be subsumed within a multi-function card. A Cabinet committee has confirmed that the Benefit Payment Card programme will continue meanwhile, but has stated that supplier proposals must include the capacity to migrate to a smart card in future if required. This has now been confirmed by the preferred suppliers.
- 2.17 In October 1995, Secretary of State publicly stated that the benefit payment card would be introduced "starting next year". In a widely reported gesture, he also displayed a dummy card. All this has raised public expectation that a card will be introduced in 1996.

3. OBJECTIVES

- 3.1 The overall objectives for automating benefit payment, as set out in the feasibility study, remain the same. As partners in the joint programme BA and POCL have equal interest in securing an improved method of paying benefits and have committed to the overall service objectives which are:
- to deliver a fraud-free method of paying benefits at post offices that is automated, and has lower end to end costs than the current paper based process, with continuously reducing administrative costs year on year;

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- extending automation to POCL's other client transactions, its products and its support processes to improve competitiveness, increase efficiency, and to enable greater commercial opportunities for POCL;
- to effect a full and speedy reconciliation of benefit payments, with accounting arrangements consistent with recognised accountancy practices;
- to provide an improved overall service to customers of all parties.

3.2 Additionally, each party has defined a number of other more detailed objectives it requires from the programme. The POCL objectives are listed in Annex 1. The BA specific objectives are detailed below:

BA Policy Objectives

3.3 The automation of the benefits payment system is seen as a major element in re-engineering the overall administrative process and the attainment of the BA business vision. All objectives will embrace that vision and in particular the payment system through post offices will:

- provide a method of payment which allows payment of the right money to the right person at the right time and is acceptable to all groups of customers;
- minimise opportunities for fraud;
- reduce administrative costs;
- provide a system which is flexible to meet future changes in policy;

make maximum use of private funding for the administration of delivering payments, where this is compatible with the government's Private Finance Initiative;

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- maintain Automated Credit Transfer (ACT) as the preferred method of payment whilst offering customers an alternative choice of how and where to receive payments;
- enable all of a person's centrally administered benefit entitlement(s) (by BA/SSA(NI)/WPA) to be paid in one transaction using a single token or card for the identification of all benefits;
- ensure that any token or card identification system can migrate to a multi-purpose SMART card;
- encourage the use of the National Insurance Number (NINO) as the prime reference for communications between DSS and its customers, their employers and other Government Agencies.

Operational Objectives

3.4 In operational terms, these policy objectives translate to:

- deliver benefits promptly and accurately;
- deliver benefits to the right person, where relevant through the provision of appointee or agent or alternative payee arrangements. Ensure arrangements are available to deal with special situations e.g. urgent payments for distress problems, holiday payments;
- deliver a more secure method of paying customers who choose to have their benefit(s) paid through post offices by:

Minimising the potential for instrument of payment (IOP) fraud;

improving information systems to detect and monitor unauthorised activity;

supplying evidence to prosecute illegal action

and, wherever possible, assist in the prevention of other types of fraud.

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- Providing a service which is accepted by customers, is understood by them and by POCL staff and agents and minimises encashment problems;
- enabling the end-to-end payment process to have lower administration costs, by being simple to operate with minimum maintenance and producing readily available transaction records;
- establish a transaction database, provide full reconciliation of all benefit payments to BA and meet all Accounting Officers requirements;
- provide flexibility to cope readily with changes to the population of customers, amounts to be paid and the volume of transactions.

- Where IT is used:

interface with existing IT systems

be capable of development

be robust in providing continuity of performance

provide a secure environment against fraud, unauthorised disclosure of information, civil unrest or "Acts of God".

- 3.5 The list of objectives shows that there is also opportunity to continue to improve the effectiveness of our service, its efficiency and the value for money that BA is able to offer.

Departmental Objectives

- 3.6 The BA/POCL Programme is consistent with the Department's strategic vision. It will contribute to the key themes of customer focus, agreed standards in payment and accounting and cost effective delivery.

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- 3.7 The remit given to the BA/POCL Development Group was concerned only with centrally administered benefit payments. The scope of the approved Programme is restricted to such payments, although it does include those made by SSA(NI) and WPA as well as BA.

It is recognised that the plastic card solution may have potential for application beyond this - perhaps for the Child Support Agency, for the payment of administrative expenses, for the collection/refund of NI contributions or those benefits administered by LAs. Although the basic system would be able to support payments of any type to individuals with NI numbers, the issue of whether such payments should be made by card or by other means is being considered by the agencies concerned, in consultation with POGAB and Policy Group and is outside the immediate scope of the programme.

4. **SCOPE**

- 4.1 This section deals with the scope of:

- (1) the Business case
- (2) the programme

Scope of the Business Case

- 4.2 This business case covers:

- (1) the benefit payment application
- (2) BA share of the POCL infrastructure
- (3) BA share of the common programme activities which are being split with POCL on a 50/50 basis including:
 - (a) the procurement
 - (b) end to end acceptance testing
 - (c) programme management and support,

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Scope of the Programme

- 4.3 The scope of the BA/POCL programme is two-dimensional. It covers Counter Automation, of which benefit payment is just one application; it also covers the end-to-end benefit payment process, of which Counter Automation is just one element.

Annex 3 shows the services within the scope and also the procurement boundaries the programme has with associated services.

- 4.4 To assist in understanding the scope of the benefit payment automation programme it is helpful to explain both the current payment system and the proposals for the introduction of the benefit payment card and associated technology.

The Current Payment System

- 4.5 Currently customers wishing to claim benefits administered by the DSS have to satisfy relevant qualification criteria which relate to their own particular circumstances. Having established an entitlement to benefit, a payment is computed, authorised and an instruction to pay issued. This process will not be affected by the proposed payment system.
- 4.6 Customers have a choice of how they receive their payments i.e. either by ACT into a bank or building society account (available for the majority of benefits) or in cash at the post office. If a customer chooses to be paid at the post office, the Department will decide whether to pay by orderbook or girocheque, taking into account the benefit type and other circumstances.
- 4.7 Individual benefit computer systems compute payment awards and then issue them to the Area Computer Centres (ACC). The ACCs administer payments generated by the Operational Strategy (OPSTRAT) system. An additional facility is available locally at BA offices to issue clerical payments to customers in urgent need, mainly for claims which cannot be assessed using OPSTRAT.

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- 4.8 There are numerous associated issues connected with the payment system that require a set of special procedures in order that payments are made with both security and customer service in mind. For example a relevant change of circumstances on Income Support requires that the orderbook in issue is recalled and a replacement dispatched. These procedures are cumbersome, time-consuming, expensive and they frequently lead to under or overpayments.
- 4.9 There are also legislative requirements to be met in connection with the payment of benefit in order that the obligations of the Secretary of State are fulfilled.

The New Payment System

- 4.10 The encashment of benefits at post offices will be conducted by use of a card which once authenticated, unlocks payment details held in a Payment Authorisation System (PAS). Therefore the value is held in the system and not in the card.
- 4.11 The Card Management System (CMS) which is to be provided by the suppliers, will be responsible for arranging the supply, personalisation and distribution of the benefit payment card and monitoring its status throughout its life.
- 4.12 CMS will receive instructions from CAPS Personal Details Computer System (PDCS) when the issue of a new card is required and when an existing card needs to be replaced due to change of name and/or loss. It will also make available a facility to issue temporary cards which can only be used for a single encashment and are retained at the post office. This will enable BA staff to make emergency payments at short notice.
- 4.13 The Payment Authorisation System (PAS) will receive authorised payments from CAPS Customer Payment Computer System (CPCS). When the customer presents their payment card at the post office counter PAS will authorise any payments via the POCL Transaction Management Service (TMS). Payment encashment will be undertaken via the Benefit Encashment Service (BES).

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- 4.14 The customer will sign a combined declaration/receipt and get their benefit(s) due in cash plus a copy receipt.
- 4.15 PAS, via the TMS, will record the encashment and pass back confirmation of encashment to CAPS CPCS, which will in turn facilitate accounting of all benefit expenditure via Programme Accounting Branch (PAB).
- 4.16 In addition to the essential services provided in the new payment system, CMS will also provide support to customers and staff of both BA and POCL. It is envisaged that this will take the form of helpdesks and loss/theft freelines.

Scope of the Benefit Payment Application

- 4.17 The scope of the Benefit Payment Automation Programme is all those activities necessary to provide automated services at the Post Office counters to support the end-to-end process of paying benefits there by means of a benefit payment card and includes proposed changes to the core business of the BA, SSA(NI) and WPA, namely the payment of Social Security benefits. These include:
- (1) the introduction and management of the benefit payment card;
 - (2) the introduction of a payment authorisation system which will feed into a national infrastructure linking together a post office network and
 - (3) revised procedures in District Offices and Benefit Directorates consequent on both these.
- 4.18 BA has authorised the Programme to take direct responsibility for the following activities which are required to deliver the Programme:
- (1) the procurement under the Private Finance Initiative (PFI);
 - (2) Demonstrations, Evaluation, Operational Trials, Acceptance Testing and Implementation;

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- (3) the specification and implementation of the Counter Infrastructure: Counter Interface Service (CIS) and Transaction Management Service (TMS);
- (4) the specification and implementation of a Card Management Service (CMS), and
- (5) the specification and introduction of a Payment Authorisation System (PAS) which will feed into a national infrastructure linking together a post office network.

Apart from (1) above all subsequent tasks will now be undertaken by a newly developed Programme Delivery Authority which will comprise some of the work being undertaken by the BA/POCL programme with related tasks currently within the CAPS Programme's remit.

Implementation

4.19 There are five elements to implementation that require a considerable amount of planning and co-ordination between BA, POCL and the supplier. These are:

- (1) BA
 - (a) the migration of benefits onto CAPS (see plan at Annex 3);
 - (b) the delivery of cards to customers;
 - (c) the withdrawal of order books and girocheques;
- (2) POCL
 - (a) the installation of equipment at Post Offices;
 - (b) migration of automated application to replace current clerical systems.

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- 4.20 This is a very large and complicated programme for both BA and POCL. Detailed planning for implementation has begun by setting up an Implementation Managers Working Group which will ensure that activities are co-ordinated and structured to meet Implementation objectives. The supplier will be involved in issues such as training, the provision of a help desk, site surveys of Post Offices, etc.

Exclusions

- 4.21 There are a number of projects ongoing within BA and POCL which have direct impact on the Benefit Payment Automation programme. These do not currently fall within the direct control of the programme and are not, therefore, included in this business case. The programme does, however, monitor their progress and is empowered to escalate any issue which puts the programme at risk (see Section 8) and will be involved in any work on implementing the card system which overlaps with CAPS through the Programme Delivery Authority. These projects include:
- (1) the development, implementation and running of the Customer Payment Computer System (CPCS). This system will receive payment and debt data from Benefit Systems with which interfaces must be developed; hold that data for enquiry purposes; pass payment instructions to PAS and receive back confirmation of encashment. CPCS is part of the Customer Account and Payment Strategy (CAPS).
 - (2) the development of the Personal Details Computer System (PDCS) included within the scope of CAPS, which will hold personal details for each customer and transmit appropriate details to the Card Management System (CMS);
 - (3) Programme Accounting Branch (PAB), included in the scope of CAPS, which has procured and will operate a financial package including general ledger which will use payment and encashment information, along with other data, to produce accrual accounts for BA;
 - (4) other POCL client take-on;

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- (5) new POCL applications (e.g. TIP, MICA);
- (6) current POCL counter automation (e.g. APT, ECCO).

4.22 Also falling outwith the programme's organisation but of major importance to it, were the teams in BA, SSA(NI) and POCL responsible for the commercial contracts between the sponsor organisations.

These teams were also involved in the negotiation of draft contracts with potential service providers in that they provided negotiation briefs to the programme's core negotiating team. The contracts between sponsor organisations and between them and service providers are inextricably linked. Thus, as with the projects listed above, the commercial teams' progress has been reported to the programme throughout the negotiating period and risks identified dealt with. Negotiation on price are now completed and the outcome has been reflected in the Investment Appraisal.

5. DEVELOPMENT AND FUNDING OPTIONS

5.1 This section describes the development and funding options that could be considered for the BA/POCL programme, the choice eventually made, i.e. PFI, and the reasons for and implications of that decision.

Private versus Public

5.2 Initially, the options considered were:

- (1) development and funding of the programme in-house;
- (2) development and funding of the programme by the private sector;
- (3) a combination of (1) and (2).

5.3 The original BA/POCL feasibility study recommended that the private sector should be involved in the BA/POCL programme because the skills and experience the private sector could bring would be to the programme's benefit.

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These skills are particularly in the area of card and financial transaction management. This recommendation was provisionally accepted by Ministers in March 1994 and subsequently confirmed after soundings in the market place established that there was private sector interest in being part of the programme.

Private Finance Initiative

5.4 The Private Finance Initiative(PFI) launched in November 1992, gained momentum when the Prime Minister announced in 1994 that private finance would have to be considered as a funding option for all future Government investment programmes. The DSS's approach to the PFI is that:

- (1) private finance will be the preferred funding route wherever it is sensible to do so, and
- (2) when its application to a particular expenditure decision is not considered appropriate, alternative financing routes (both public and private) will be pursued.

5.5 In July 1994, Treasury confirmed that BA/POCL should be pursued as a PFI project.

Background

5.6 The PFI was launched in November 1992 by the Chancellor in his Autumn Statement. It was made clear that:

- (1) rules on financially free standing projects were to be relaxed
- (2) joint ventures between private and public sectors were to be encouraged, and
- (3) there would be further opportunities for the private sector to provide services to the public sector.

5.7 The PFI is about developing a partnership between the public and private sectors, for the benefit of both.

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It is about Government Departments becoming purchasers of defined outputs from a range of suppliers and bringing private sector expertise and managerial skills into the public sector.

- 5.8 PFI allows the public sector to draw on private resources, allowing projects to go ahead which otherwise may not be affordable. The introduction of competition for public sector contracts is seen as a means of ensuring better quality services and better value for money.

Requirements of PFI

- 5.9 There are two fundamental requirements to look for in deciding whether a project should be pursued under PFI:
- (1) the private sector must genuinely assume risk, and
 - (2) value for money must be demonstrated for any expenditure by the public sector. In these circumstances VFM means efficiency, economy and effectiveness; all three elements having equal weight.
- 5.10 This programme falls within the Services category for PFI. Among the requirements to be met are that a feasibility study should be undertaken to determine:
- (1) the feasibility of the proposals, and
 - (2) the extent to which the proposals would attract commercial opportunities.
- 5.11 The programme has met both of these requirements.
- 5.12 Potential service providers were accordingly advised that they must put forward proposals which met all the sponsor organisations' requirements and in which the supplier designed, developed, implemented and subsequently will enhance, operate and maintain the respective parts of the service for the sole use of the Contracting Authorities.

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Under such contract(s), the contracting authority would pay to use the service according to a pre-determined tariff, with payments largely based on usage, but which may also include other elements such as service performance related payments or payments related to growth.

Risk

5.13 Transference of risk is a major consideration of the PFI and particularly relevant to this programme. It is generally accepted that the private sector (which has experience in raising substantial amounts of risk capital in the markets) is better able to handle commercial risks. Implementation and operational risk are also familiar to the industry. The transfer of the risk of incorrect payments, especially fraudulent encashment, is more novel.

5.14 It is not always possible to transfer all risks to the private sector and their capacity to manage risks will vary. In procuring this service under PFI, the aim has been to minimise the risk and place it where it can most effectively be managed. This means that the total risk left with BA is at a minimum commensurate with value for money, and that significant risks will be borne by the supplier.

5.15 The key areas in which risk transfer has been successfully achieved for BA/POCL are:

- Development
- Trialling and commissioning
- Operation/Service levels/RPI
- Volumes including Public Policy changes
- Fraud (including clerical error)
- Costs

a) Development

Service Providers have set a charge for an agreed range of processes and products which incorporates the cost of development. All the risk associated with developing an agreed level of functionality to an agreed timetable and price is with the supplier of that service.

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This has been a major area of change and increasing costs over the past years of in-house development programmes. The PFI approach ensures that in general requirements have been adequately specified and solutions agreed with the suppliers before award of contract.

b) Trialling and Commissioning

On commissioning risk the form of the contract provides a series of safeguards which mean that the successful supplier is bearing significant risk in the commissioning of the system. The supplier's bid and development costs are only recoverable from usage charges, which do not start to be paid until the acceptance of the system. In addition there is the right of termination without compensation if the supplier should fail to deliver an acceptable system by the required date.

Failure to rollout the system to schedule, or to deliver the service to the required quality, are subject to service penalties which are designed to approximate to the costs of remedial action within BA or POCL. Of particular importance is the risk that the system, and the procedures for using it, will be slow and thus affect post office quality of service and BA changes: suppliers are taking financial risk in this area, and can control it through system and procedure design, and training of POCL staff, all of which is under their design and delivery control. Development and delivery will be closely monitored against agreed pre-contract specifications and acceptance criteria.

c) Operations

A range of contract schedules have been developed to provide details of the Service Levels which will be applied during the operational life of the service. These SLA's provide for remedies to be established for any failures in service. The extent to which the service provider will limit their liability has now been agreed to ensure that the limits comply with the requirements already presented in the ITT and provides significant transfer of service delivery risk to the supplier.

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d) Volumes

The contractual arrangements agreed with the supplier provides a guaranteed minimum volume level which reduces on a sliding scale throughout the life of the contract i.e. 75% at year 1 of steady state down to 60% at year 5. This means that volumes in year 1 would be required to drop by 25% before increased costs (over currently assessed volumes) were met by the Department.

The greater risk of fluctuation relating to changes in benefit policy, demography or economic forecasts will continue to remain in the area of unguaranteed volumes and any changes will be reflected in the overall value of the transaction charges which would be paid to the supplier. The only policy changes for which suppliers can request a price change is if payment frequency rules are altered. The Department will also be covered if volumes increase beyond an agreed best estimate where higher volume discount rates will apply or alternatively the Department will have the right if agreed levels of usage are exceeded to request change controls for a review of prices.

e) Fraud

A major element of the requirements for this PFI project is an assurance that the "fraud-free" system will be delivered. Agreement has been reached that the service supplier will be responsible for ensuring that recovery of fraud is achieved in all areas that are system related. As it has been estimated that the system will deal with 90% of the fraud risks, suppliers will be liable for recovery of all of this risk up to a maximum liability of £200m. This includes the risks associated with the interception of the card before issue to the customer and with failure to stop a payment after card loss or theft has been reported. It has already been agreed that POCL will take 100% of the loss if their staff fail to carry out the required procedure at all; and it has also been agreed that to the extent that cardholder verification risk is in doubt and not taken by the supplier on a particular transaction then the risk will be shared 50/50 between POCL and BA - creating an incentive for POCL as well as BA to strive to perform the necessary checks diligently.

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The Suppliers will take the remaining risk. The Departments' limit of liability has been estimated as £4m.

f) Costs

The responsibility for funding the development and delivery of the service, the impact of inflation on these costs and the residual value of existing equipment to the Sponsor will rest with the service provider throughout the life of the contract. The supplier has agreed to cover all RPI increases over the life of the contract up to a maximum of 6%. BA and POCL will then take 50% of any increases above 6% i.e. at 10% RPI BA's costs would increase by 2%.

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6. PROCUREMENT PROCESS AND TIMETABLE

- 6.1 The procurement process began in August 1994 with the placement of a notice in the Official Journal of the European Community (OJEC). The programme has chosen to take the Negotiated Procedure route as specification of the service could not be established with sufficient precision to enable service providers to submit detailed, fully costed tenders at the outset. This route allows for a flexible approach to the negotiations and innovation from the supplier.
- 6.2 The BA objective of the procurement process is to procure a prime contractor to develop, deliver and operate the benefit payment application i.e. CMS and PAS. However BA's interests are inextricably linked with POCL orientated elements of the procurement such as TMS. There are five stages to the process, and these are set out below.

Stage 1 Establishing Playing Field

- 6.3 This stage covered the period from August to November 1994. Its objective was to establish that there was sufficient interest and capability from suitable prime contractors to run a full competition. Potential prime contractors were assessed against agreed criteria and shortlisted on the basis of Statements of Capability. Nine statements were received and shortlisted to five potential prime contractors.

Stage 2 Innovation and Clarification

- 6.4 This stage covered the period from November 1994 to June 1995. The objective of this stage was to assess the viability of the prime contractors' approaches by evaluating their detailed proposals for development, technology, service provision, management, and resourcing.

This stage also set the basis for the contract negotiations and involved the issue of the Statement of Service Requirements (SSR) (on 13 April 1995) to which the five prime contractors responded with written proposals. This stage finished with a review of the architecture and standards requirements, taking into account industry input and reflecting fully DSS/BA standards in all respects.

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- 6.5 Suppliers were informed that three types of information would be sought from their proposals and evaluated.
- 6.6 The what described what services are to be delivered by the service provider from the perspective of the user of the service. Items included in this area were for example functionality, availability and reliability. The how described the service provider proposals for the delivery of the service. Included in this area were for example planning, quality control and implementation. Service providers were also asked to provide evidence that their proposals are feasible. Previous track record and references were considered as satisfactory evidence.
- 6.7 At the conclusion of Stage 2, the following shortlisted prime contractors were invited to enter into contract negotiations in parallel with undertaking a demonstration programme:
- CARDLINK UK LTD.
IBM
PATHWAY
- 6.8 A parallel activity during this phase had been the agreement of a Memorandum of Understanding (MOU) between BA, SSA (NI) and POCL. This document, which was signed before the SSR was released, summarises the business and commercial understanding so far reached between the parties involved.

Stage 3 Contract Negotiation and Demonstration

- 6.9 This stage began on 27 July 1995 and culminated by issue of Invitation to Tender (ITT) on 29 February 1996. The Stage 3 work provided for a far more detailed and thorough evaluation of proposed solutions and service providers than was possible during Stage 2.

The outputs from this stage were:

- agreed Draft Contracts comprising clauses and schedules with each supplier;

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- discussions and clarifications with all service providers to allow all category "A" risks on the service providers risk register (SPRR) to be cleared (Registers drawn up during Stage 2 evaluation of SSR responses);
 - conduct of service provider demonstrations to contribute to an overall assessment of the capabilities of each service provider.
- 6.10 The conclusion of Stage 3 was the issue of an Invitation to Tender to each service provider. The Stage 3 work and assessments assessed whether each service provider had met or exceeded:
- (1) the minimum service requirements acceptable to the sponsors;
 - (2) the minimum requirements for partnership with POCL and the development of new business opportunities;
 - (3) sufficient risk transfer for an acceptable risk profile, in particular for the fraud risks but also the general service development and business risks;
 - (4) an acceptable funding method and financial structure.
- 6.11 A service provider would not have been invited to tender if:
- (1) he had any critical (category "A") risks or an unacceptable profile of other risks outstanding at the time the SPRR was finalised; and/or
 - (2) it had proved impossible to agree with him a contract acceptable to BA and POCL.

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Stage 4 Evaluation and Selection

6.12 During this stage the service providers submitted financial proposals on the basis of the agreed draft contracts. Their proposals plus the results of the work carried out in the demonstrator phase were evaluated and at the end of this stage, the preferred contractor was selected.

6.13 Criteria for the Award of Contract

6.13.1 The evaluation of the final tenders was undertaken as a series of assurance activities including:-

- a) Technical assurance that all variations in technical solutions were acceptable and compatible with the Department's infrastructure and technical interfaces
- b) Contractual assurance was undertaken to identify any non-compliance with the ITT requirements and ensure that the final tendered solution was compliant
- c) Partnership assurance was undertaken to ensure the capability and business compatibility of the service providers to make a good business partner (particularly for POCL) in ensuring the success of the initial services and helping to generate new business
- d) Risk transfer assurance assessed the extent to which risk is reduced and transferred to the Service Provider in accordance with the aim to minimise risk and place it where it can be most effectively managed. A major element of this is the fraud risk associated with the benefit method of payment. It also covers the other service delivery and business workload risks. (See also para 5.15).
- e) Value factor assurance which provided a measure of Suppliers' performance against a range of (non-monetary) value factors. The value factors were developed pre-tender to provide a BA and POCL indicator of the weights to be given to a range of characteristics of the system and to its viability. Some adjustments were made in the light of the subsequent tender evaluation.

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Viability considered the soundness of the essential services in terms of the internals of the service delivery, while Characteristics would look more at the external factors affecting the potential success of the services. The value factors as notified to the suppliers are set out below.

- f) Financial evaluation which provided a modelling facility to run a variety of costings and sensitivities based on the tender charges within the scorecard. The total cost of taking the proposed service over the contract period (i.e. supplier charges plus, for example, cost to BA/POCL of time for help desk and other system-related additional processes).
- g) Business Case appraisal used the financial evaluation data to provide a measure of business case viability.

Evaluation Results

- 6.14 The evaluation report identified the successful supplier as having no purely technical obstacles to an award. It was considered to provide the best contractual approach and to be first equal on price. It was also assessed to have the best position on risk transfer and was the only bid fully compliant with the requirements in this area. It was also judged to be a satisfactory future partner, particularly in relation to POCL interest in generating new business. The only area in which the successful supplier was weak was on measurement of value factors relating to credibility of delivery and implementation due to their unique technical solution. This, together with their management capability were considered issues which did not present any major risk and were outweighed by the relative merits of all other aspects of their bid.

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	HARRY	TOM	DICK *
CHARACTERISTICS			
1 Customer Acceptability	5.8	5.3	5.3
7 Flexibility	4.7	4.2	4.4
9 Reliability and Support	5.3	5.2	4.5
6 Innovation	5.3	5.8	5.4
2 Staff/Agent Acceptability	6.0	5.0	5.5
VIABILITY			
3 Fraud-Free Method of Payment	5.5	5.4	4.0
4 Credibility of Delivery	5.7	5.5	4.1
8 Management Capability	4.7	4.5	3.7
5 Start-Up	5.4	5.1	4.4
10 Stability and Coherence	6.2	6.0	4.4

* Successful supplier

6.15 BA/SSA Internal Costs and Benefits

6.15.1 Of particular interest to BA the BA/SSA Internal costs/benefits team looked at the impact of the supplier solutions in all aspects of BA/SSA business. Differentiators between the solutions were identified and the effect on BA Business costed; as well as the areas common to all three suppliers. Three key cost areas emerged.

6.15.2 Solutions that would create additional costs for the BA districts. Examples that would cause extra callers, telephone callers, and the need for the issue of further temporary tokens included response times from customer helpdesks, non receipt of PUNS for replacement of stolen/missing cards and handling returned cards.

6.15.3 Secondly, the assumptions that had been made in regard to the functionality of CAPS and the interface to PAS and CMS. All suppliers expected CAPS to provide some extra functions that were not planned for. The two most notable were:

- a) Access to CMS to support card enquiries and temporary token issue;
- b) The different approaches to the interface with CAPS. There were two options; either by a single gateway, located in one Area Computer Centre (with a backup link to a second ACC for contingency). Alternatively links could be provided up to every CAPS service in all ACCs.

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Both options had standard associated costs, in addition to individual supplier specific costs. The extra premium for the single gateway option is primarily due to the extra capacity/throughput that is required on the CAPS side of the interface.

It was recognised by all suppliers that some elements of their solutions would need to be supported by their helpdesks initially to allow time for extra CAPS development. There is the potential for additional helpdesk call charges if calls exceed agreed limits during the period. The supplier will provide links to all four ACCs

- 6.15.4 The third major cost area was for the provision of consumables to Post Offices for BES. These items will be charged to BA through Contract B. There was significant variation in the cost of management and distribution of these items. The supplier had the highest bid but by changing over to HMSO supplying the BA receipt slips charge could be reduced by a third.

Stage 5 Trials and Acceptance Testing

- 6.16 Immediately following the award of contract the operational trials will commence (details of which will have been agreed during Stage 3) and will continue throughout all new releases. These will allow the opportunity to gain confidence to authorise the commencement of "Go Live".
- 6.17 The Operational Trial is a sub-set of the overall Implementation and Testing strategy and is part of a staged acceptance. It comprises functional testing and a demonstration of performance, reliability and contingency capabilities.

Approach to Testing

- 6.18 Technical testing will be carried out by the service provider, observed by a Programme Technical Manager and a Fault Manager. On completion of the Technical testing, User Acceptance Testing will commence.

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- 6.19 Initially User Acceptance Testing will be conducted in a controlled environment at a POCL test site Mock Office and will be carried out by POCL staff and BA staff.
- 6.20 The limited go-live will start with the payment of Child Benefits by card from 23rd September 1996 with a controlled group of customers in one post office followed by introducing it in further nine post offices.
- 6.21 When testing has been satisfactorily completed between September to December 1996, full roll-out of equipment to post offices will be authorised and progressed from January 1997.

Stage 6 Implementation

- 6.22 Roll-out is expected to begin in January 1997 and is expected to take 2 years to complete. Apart from the post office roll-out due to be completed by Dec 1998, there is a migration plan to convert all benefit payments to card over the same period. As soon as post offices in a geographic area have been equipped, BA offices in that area will be able to pay certain benefits with Child Benefit commencing from January 1997 and finishing with Income Support which is due to roll-out from January 1998.

7. ANALYSIS OF COSTS AND BENEFITS**Scope**

- 7.1 This investment appraisal covers the costs and benefits attributed to the Benefit Payment card and the BA share of the costs associated with automating post offices. Costs included are only those which are additional to the current costs of paying benefit. The programme is one of around twenty initiatives being taken forward under BA Security's Invest to Save Strategy, and the costs and savings for the programme are therefore included under the Security and Control Package.
- 7.2 Included in this investment appraisal are:
- (1) supplier interface costs

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(2) cost to BA of the introduction and operation of the Benefit Payment Card.

(3) BA share of the other joint programme costs

7.3 Attached at **Annexes 4 and 5** are a summary, and detailed investment appraisal for the BA element of the automation programme. The Appraisal is over 10 years, with sunk costs in financial years 1994/95 and 1995/96 and the 8 year contract period runs from 1996/97 to 2003/4. The net present value for the programme over 10 years is £1036m with OBCS and £1006 without.

General Points

7.4 The figures in the appraisal include the SSA(NI) and the WPA. However, SSA (NI) have also prepared their own separate case for approval by Departmental Finance and Personnel (DFP)-SSA(NI). All costs and savings are at 95/6 prices, excluding on-costs and VAT. The costs for the CAPS Programme and the strands within it do not form part of this investment appraisal and are therefore not included here. They are explained in detail in the separate CAPS business case which stands on its own. Whilst CAPS provides the necessary infrastructure to enable a payment card system to operate, it has a much wider remit covering a range of Departmental accounting requirements.

The PFI contract will enable benefit to be paid more economically but it will not provide sufficient administrative savings to cover the initial costs of CAPS development.

7.5 The appraisal also takes account of two other IOP projects; ESNS and the Post Office Rewards Scheme. Both these projects form part of the Invest to Save Package and their benefits overlap with the benefits to be accrued under the card payment system. The Feasibility Study cost/benefit analysis included what was then known as Alert, as its costs and savings would be superseded by those of the Benefit Payment Card as the card rolls out. This Business Case follows the same line. CAPS migration is as per the CAPS component release strategy published in February 1996 and programme savings have been attributed between ESNS, the Rewards scheme and the Benefit Payment Card during the rollout period.

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Current thinking suggests that ESNS and rewards would be replaced in full by 1999/00. The issue of developing a national version of ESNS, known as Order Book Checking Service (OBCS) is also currently under consideration and the increased costs and benefits of this approach are included in the appraisal.

- 7.6 A separate business case has been produced following a feasibility study. The main purpose of the study was to identify the level of increased fraud savings which could be achieved by introducing the automated stop notice system ahead of the payment card.

Costs

- 7.7 The broad cost areas for the programme are as follows:

- (1) BA/POCL Programme management - consists mostly of staffing and staff related costs, as well as the cost of core activities such as running supplier demonstrators
- (2) Implementation - a mixture of costs for changes needed in BA Districts and Benefit Directorates for the implementation of the new system, and costs for activities such as training and publicity
- (3) Running costs - the additional transaction charge payable to POCL for extra counter time (Contract A).
- (4) Running costs - POCL charges for issuing cards to benefit customers and supplier charges for the benefit encashment service (BES) recharged by POCL, including a management fee (Contract B).
- (5) Running costs - for new activities in DOs and BDs; new processes for handling cards in local offices would be similar but lower in volume to current procedures for handling IOPs.
- (6) The supplier charge - this is a major element of costs within the business case and covers charges for PAS and CMS (Contract 2).

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- 7.8 The estimated steady state running costs in total are £143m per annum; the main element of this cost is £104m supplier charges.

Savings

- 7.9 The savings for the BA/POCL programme include both administrative and programme savings. During the implementation period they are expected to increase in line with the number of benefit customers in possession of live cards increases. Savings are thus sensitive to the plans for the CAPS migration and Post Office equipment rollout. Steady state savings increase to £239m per annum by the end of the Appraisal period.

Administrative

- 7.10 The administrative savings comprise those administrative costs associated with certain aspects of the present paper based system of paying benefits by order book and girocheques. Some of these costs would no longer be incurred, or would be significantly reduced, once replaced by card payment. The bulk of this saving will arise at the ACCs with the phasing out of order book and girocheque production and reduced level of IOP activity in DSS offices with consequent reduction in postal and stationery costs. Manpower savings will also be achieved as a result of reducing time spent on IOP fraud investigation work.

Apart from related savings in post and printing costs, the other major savings occur as a result of reduced costs for outsourced finance functions i.e. the Paid Orders Unit in Lisahally and Girobank. The estimated steady state level of all admin savings is £170.5m per annum.

Programme

- 7.11 The programme savings available are those resulting from a major reduction in the fraudulent encashment of order books and girocheques. The value of the potential fraud levels relating to IOPs has been linked to the available ESNS data and agreed with BA Security.

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ESNS has now been providing an automated stop notice system within the M25 area for over a year. Information from this system has been used to provide a more accurate estimate of fraud savings. Extending ESNS as part of the payment card roll out will increase the level of fraud savings over the implementation period by £55.8m. It is assumed that the new payment system, once fully implemented, would eliminate 90% of this fraud, giving a steady state saving of £196m per annum.

- 7.12 Recent data from ESNS relating to the volume of stop notices in operation now provides a more accurate method of calculating both the volume and value of fraudulent encashments. Data scans and a further survey being carried out currently should provide corroborative evidence to the review of Programme Savings levels. It is certain that this will confirm the higher level of savings achievable as a result of the card payment system, which the ESNS data has indicated.

Non Financial Benefits

- 7.13 In addition to the expected financial benefits, the benefit payment card offers various non-financial benefits. These benefits fall into four areas:

Customer Service

- (1) Customers will benefit from a system that is considerably more secure, is less complicated to use and is quicker to respond to changes that may occur to their entitlement. More generally, the quality of service offered by staff will be improved as the time spent on, for example, non-arrival of IOPs is saved. Some of this time is not allowed for in the current complementing system and the activities are therefore carried out at the expense of other work. No attempt has been made to quantify a saving here.

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Accounting

- (2) The General Ledger will receive most of its accounting data in detailed form via CAPS from TMS/PAS. This system will eventually be capable of producing complete benefit accounts for the Agency and support the recommendations of the Social Security Accounting Review as well as enabling the transition to Resource Accounting. Initially a large proportion of data will be sourced from somewhere other than CAPS. With a more accurate and up- to-date picture of programme expenditure will also come the opportunity for more accurate forecasting and thereby the funding of paying agents, notably the Post Office. It is also anticipated that the much improved accounting process will allow savings to be achieved, for example in the prevention of duplicate/overpayments. These are not being included in the BA/POCL case.

VFM for taxpayers

- (3) The implementation of automated benefit payment will result in the delivery of a cost effective service that is not prone to fraud. The introduction of competition will also help drive down the cost of running the service, again ensuring best value to the tax payer.

Safeguarding a POCL National network

- (4) The automation of the benefit payment system requires the automation and networking of the largest retail organisation in Britain. This will offer new and improved business opportunities and is seen as safeguarding the Post Office nationally, particularly in rural areas. Many would argue that the value of this benefit is priceless.

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Risks and Sensitivities

- 7.14 In order to calculate the annualised costs and savings, it has been necessary to make assumptions, in particular about the probable speed of the rollouts - of benefits onto CAPS, customers onto cards, Post offices automated, counter positions automated, and the resulting numbers of cards in use, the last of which is dependent on the others. A summary of assumptions is at **Annex 6**.
- 7.15 Although these assumptions have been made sensibly, uncertainty in these areas has remained until the evaluation process made clear what the chosen supplier will do and there is agreement over the order of benefit rollout onto CAPS. The cost and savings profiles could thus be subject to change.
- 7.16 A number of factors which affect the overall financial position are based on assumptions which, if changed, would impact on the project's long term NPV. A sensitivity analysis has been undertaken relating to the major issues and these are summarised below. Sensitivity calculations have been based on the figures in the business case which have already excluded all staffing on-costs and all other notional savings. These sensitivities present the worst case scenarios and there is potential for some notional savings to be realised.
- 7.16.1 Timetable
- The current assumptions include a start date for pilot trials of Sept '96 followed by a two year rollout to all post offices due to be completed by Dec '98 and related conversion of benefit systems to card payment affecting all district offices and due to be completed by Jan '99.
- Slippage to the roll-out plan would impact on the achievement of both administrative savings and programme savings.
- The risk of delay to roll-out of equipment to post offices is with the service supplier and remedies and compensation for delay will be included in the contract.

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The risk of delay to roll-out of the CAPS programme is controlled by the Department. Reducing this risk has been a key driver in the recent re-organisation of the CAPS programme in which the requirements for the delivering of a payment card system are now the top priority tasks within the CAPS development programme. A detailed review of all the CAPS Programme sensitivities are in the CAPS Business Case which has recently been forwarded to HMT. Annex 7 provides an assessment of the cost and/or reduced savings resulting from a delay of 3 months.

7.16.2 Development and Delivery

The risk to provision of the payment and card management systems is with the Service Suppliers and remedies can be invoked if delays occur or if the systems do not meet requirements. As solutions have already been modelled the risk to the development timetable is considered low. The motivation of a recharging process which can only commence once trialing is successfully completed should also ensure speedy resolution of any initial problems.

7.16.3 Administrative Costs and savings

The achievement of the admin savings identified in the business case relate, in the main, to negotiated contract changes with out-sourced suppliers for IT and financial services. Re-negotiation is already underway in some areas and no major problems have been identified.

Reducing administrative costs is a key objective. It is also an area where, at present, some uncertainty must lie. It is possible to identify tasks which will disappear or be significantly reduced and to quantify the effect; a task undertaken with the assistance of the Staff Resources Unit.

What is more difficult is to ensure accurate quantification of new tasks. Although some attempt has been made this is necessarily speculative pending the full development and testing of procedures, which is being undertaken by CAPS Benefit Field Liaison. Any increase in such costs would reduce net savings.

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Such savings relate to the reduction in work processes, mainly in BA district offices. All calculations relating to the impact on staffing levels have been linked to the BA complementing processes and the results will be fed into a revised manpower bid. Consequent manpower reductions will be managed through the district organisation as part of a continuing process of resource allocation. Achievement of the estimated staff savings will only be fully realised when the benefit card system is fully operational. This has been reflected in the profiling of costs and savings over the roll-out period.

The level of staff savings calculated takes account of the complementing process and relates to the allocation of resources are being utilised for different processes.

The assessment of CAPS interface development and running costs has been made on limited information from suppliers and may increase when the detailed work of development commences.

Annex 7 provides a sensitivity analysis of the impact on the business case of a reduction in Admin Savings of 10% and of increasing Admin Costs by 15%.

7.16.4 Fraud savings -10%

The delivery of fraud savings is a fundamental part of the project's business case. ESNS has now provided a much more reliable data on the volume and value of benefit payments in issue and on the level of stop notice activity which provides a more rational indicator of possible fraud activity. A new survey is currently underway which will provide a further refinement to the number of fraudulent encashments occurring per order book and the average value of each payment. This data will undoubtedly confirm the increased value of saving identified both for the payment card system and for any extension of the ESNS process. The level of available savings through OB fraud is estimated at £168m.

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For Girocheques fraud, the reconciliation process itself renders more reliable data on available fraud savings estimated at £27.5m. Based on the current available fraud of £196m, an overall reduction of 10% in fraud savings would reduce the NPV by almost £100m.

The achievement of 90% of the total available fraud savings should be assured through the delivery of a "fraud free" system. The remaining 10% is subject to contractual liabilities of up to £20m p.a. on the service suppliers. The only area of fraud within the control of BA will be related to fraudulent action on the part of BA staff.

It is possible that with the introduction of a payment card system, new innovations in card fraud will also increase. An analysis of the impact on the business case of a decline in Programme savings is provided at Annex 7. This provides for both a 10% reduction by end of rollout and a 10% reduction moving up to 20% by end of contract.

7.16.5 Fraud savings +10%

Our present assumption is that the level of fraud stays steady and represents only 25% of the total amount of authorised payments which are at risk of fraudulent encashment. Although it is impossible to predict confidently what the levels of IOP fraud would be in 10 years time in the absence of BA/POCL automation, the Security Strategy crackdown on other sections of the benefit pipeline, might lead to increased IOP fraud, even without an increase in the overall volume of all types of benefit fraud. Taking an increase of 10% in the expected level of IOP fraud from the base level, the NPV becomes £1135m (including OBCS).

Full analysis of cost impact of a 10% increase in fraud savings is provided at Annex 7.

7.16.6 Benefit Payment Volumes +/- 10%

Fluctuation in volume levels over the period of the contract will normally be reflected in consequent changes in the total transaction costs to be borne by BA.

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For all encashment transactions this will be charged to POCL and recharged on to BA (through the Contract B negotiated between BA and POCL). CMS and PAS transactions will be charged direct to BA on the basis of cards in issue (CMS) or payment authorisation data transfer (PAS). These volumes are subject to minimum guarantees agreed with BA. A number of sensitivity analyses have been run as part of the evaluation of tenders and a summary is attached at Annex 7.

7.16.7 Additional Charges

While negotiations have resulted in an agreed set of prices and charges for all the main services, some aspect of possible additional services e.g. training, publicity have yet to be negotiated. In addition, some requirements will be subject to a change control process which could lead to an increase in service provider charges. The cost implications of a 5% or 10% increase in charges is provided at Annex 7, and is in addition to a 5% increase which has already been included in the Investment Appraisal as contingency against change control issues.

Summary

- 7.17 In all the sensitivity analyses done, the programme returns a healthy overall NPV - £911.90m at worst. However, the analysis has revealed that some scenarios tip the admin balance into a net cost position, and suggests cash flow difficulties in the PES years e.g. national extension of ESNS.
- 7.18 There is however a reasonable level of confidence that the appraisal already covers a number of contingencies. In addition a number of sensitivities relating to late delivery of systems and system operation will be subject to financial remedies under the PFI contract.

8. RISK AND DEPENDENCY**Overview**

- 8.1 Risk is an event which may cause failure to meet:

- required timescales

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- cost objectives
- quality standards
- customer requirements

8.2 Risk can also flow from dependencies and there are three distinct areas of dependence which were considered by the programme:

- inter-dependencies between the various projects in the programme. For example, replacement of paper IOPs is dependent on availability of the POCL infrastructure. There are also dependencies within projects, for example between the various steps in the procurement process which eventually lead to a signed contract
- changes needed within the BA's business processes which the programme is dependent upon in order to achieve implementation on time. The most critical of these are CAPS and benefit system interfaces but there are others such as the introduction of new procedures and re-engineering of clerical processes
- various other projects, both within BA and POCL, are dependent upon the successful implementation of this Programme. For BA these include, the recommendations of the Departmental Accounting Review, and preparation for the move to Resource Accounting. A change in the requirements which these projects have of BA/POCL could constitute risk.

8.3 Because of these relationships, the Programme's risk management extends beyond its own immediate scope to cover areas such as the CAPS Programme. This includes the BA/POCL Programme Director being a member of the CAPS Programme Board - and vice versa.

8.4 Programme Risk Management is initially the responsibility of the Programme Planning and Risk Analysis Group (PPRAG). It has two major objectives:

- (I) the regular monitoring of all Programme risk and

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(ii) the quality assurance of associated countermeasure activity.

8.5 PPRAG reports its findings in both areas to the Programme Management Board for action.

Current Programme Risks

8.6 The nature of current risks will change over time as the Programme proceeds through its various stages, as external and internal events occur (or do not as the case may be) and as counter-measure strategies are invoked.

8.7 A list of the key Programme risks reported to the Programme Steering Committee in March 96 is attached at annex 8.

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9. STEERING ARRANGEMENTS

Programme Steering Committee

- 9.1 The Programme has a Steering Committee(PSC), co-chaired by Mr Mathison Chief Executive BA and Mr Dykes, Managing Director POCL. The Chief Executive of SSA(NI), Mr Wylie, is a member. This committee has overall responsibility for delivering the systems for the automation of post offices and of social security benefit payments made at these outlets, together with any, agreed, associated functional requirements of both BA and POCL. It is the ultimate project authority and is responsible for the monitoring, review and eventual closure of the project.
- 9.2 The purpose, outputs and membership of this committee, is at annex 9.

The Procurement Board

- 9.3 The Procurement Board supports the functions of the Programme Steering Committee(PSC) and the Programme Director in so far as they relate to procurement. The board, which is co-chaired by Mr B Peaple (POCL) and Mr D Brown (BA), gives guidance and direction on matters of procurement policy and probity on behalf of the Steering Committee. The purpose, membership and outputs of the Procurement Board are listed at Annex 10.
- 9.4 There are two key appointees responsible for overall programme management and the establishing of appropriate committees:
- (1) the programme sponsor
 - (2) the programme director
- 9.5 The chart at annex 11 shows the place of these appointees in the organisation.

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Programme Sponsors

9.6 Because of the wide-ranging nature of the programme, both POCL and BA have appointed Programme Sponsors who ensure that all appropriate parts of their respective organisations contribute to the success of the programme in a timely and effective manner. In doing so they:

- (1) are members of the PSC
- (2) maintain regular contact with the Programme Director and provide him with support and guidance as necessary
- (3) attend appropriate internal committees and boards to ensure that their respective organisations' total contribution to the programme is co-ordinated.

9.7 The BA's sponsor is Mr McCorkell, CAPS Programme Director.

Programme Director

9.8 The Programme Director is Mr Stott and he is responsible to the PSC for:

- (1) the timely and cost-effective delivery of a counter infrastructure and a BA benefit payment application meeting the business requirements of BA, SSA (NI) and POCL;
- (2) the identification of work needed elsewhere within BA, SSA(NI) and POCL (or in other organisations) for the successful achievement of the programme's objectives and scope, and for tracking the progress of that work and assuring the quality and compatibility of those products with the Programme's requirements.

9.9 Working to a budget and high-level programme plans approved by the PSC, and working closely with the programme sponsors, he:

- (1) defines the projects and activities necessary to achieve the programme's objectives

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- (2) authorises expenditure within the budget allocated
- (3) defines the organisation of the programme and recruit and assign BA, SSA(NI), POCL and constancy resources to projects and activities as necessary
- (4) defines the programme's requirements of the projects or other work being carried out elsewhere in BA or POCL and track progress in achieving them
- (5) assists the Programme Sponsors in discharging their responsibility to ensure that other parts of BA and POCL are contributing to the success of the Programme
- (6) ensures that the objectives and the scope of the programme are effectively communicated within BA and POCL and outside
- (7) reports to the PSC regularly on the programme progress and expenditure, drawing attention to issues and risks (including those outside his direct authority) which may endanger the success of the programme.

9.10 The Programme Director chairs a Programme Management Board which supports him in discharging these functions. The CAPS Programme Manager is a member of that board, Regular progress reports are submitted to BAMT as well as to equivalents in POCL and the PSC. The Programme Director also chairs a Programme Management Team responsible for day to day management issues.

10. CONTRACT MANAGEMENT AND EVALUATION

10.1 There are three areas outlined in this section:

- (1) contract and service management
- (2) programme evaluation
- (3) Post Implementation Review

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- 10.2 BA's Post Office, Girobank and Banking Group (POGAB) will continue to manage the ongoing contract between BA and POCL..
- 10.3 POGAB have developed a commercial policy (see annex 12) that will assist in defining the parameters of new contracts, with due regard to probity, legal requirements and value for money. The Memorandum of Understanding (MOU) already agreed with POCL reflects this policy. The policy will underpin any contract with the potential suppliers and provide the necessary safeguards post-contract.
- 10.4 For the implementation period i.e until all post offices have an automated infrastructure installed and all benefit customers are converted to card payment, it has been decided to treat development, delivery, implementation and roll-out as a single Programme to be managed by a Programme Director supported by a Joint Implementation Management Team.
- 10.5 Included in the Programme Director's responsibilities will be:
- the day to day administration of all the contracts with the Supplier and the day to day management of the contractual change process, although the contracting authorities would remain BA and POCL separately;
 - the management of the service delivery relationship with the Supplier with regard to the implementation and operation of the required services and the monitoring of the Supplier's performance;
 - the development of the procedures and structures which will be necessary for the management of the services in the 'steady state'.

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10.5 Beyond the implementation period:

- a formal structured mechanism will be in place for the duration of the contracts for the handling of proposals for major change in a timely manner
- a Security Authority will be created to maintain an end-to-end vigilance on the benefit payment system, to identify threats and trends, to certify the security of the payment system and changes to it, and to recommend developments and other action to combat benefit payment fraud. The Supplier will be invited to contribute expertise and resource to this Authority.

Programme Evaluation

10.6 Within the programme organisation a team has been allocated the responsibility of evaluating whether the financial investments made deliver the stated benefits.

10.7 The team's specific functions will include action to:

- (1) identify budgets and business units which would be responsible for the realisation of financial and non-financial benefits included in the business case
- (2) ensure that baselines are established for financial and non-financial benefits
- (3) ensure that relevant business units have established plans for the realisation of the benefits for which they are responsible
- (4) ensure that financial benefits are reflected in BA and POCL financial plans
- (5) ensure that mechanisms are in place to monitor the degree of achievement of non-financial benefits.

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Post Implementation Review

- 10.8 A Post Implementation Review is the evaluation of the programme after it has been completed, or become well established as a going concern.
- 10.9 The aim of the review is to improve project appraisal, design, management and implementation. It is intended to obtain the maximum benefit from the accrued experience. A review of this programme is likely to be particularly valuable in its examination of the joint approach with POCL, the procurement process and PFI.
- 10.10 The review should normally follow this sequence:
- (1) define the objectives of the evaluation: i.e. what aspects of these decisions and activities are to be evaluated
 - (2) establish the objectives of the decisions and activities which are to be evaluated
 - (3) consider what should be taken as the baseline for comparison with outturn
 - (4) compare the outturn with the baseline and explain any important differences and draw any lessons which can be learnt for the future
 - (5) present the results
 - (6) communicate the results or recommendations.
- 10.11 This programme will carry out a review at the appropriate time. In the mean time, two check-step reviews have already been undertaken by external consultants as well as an audit by a combined team from BA and POCL Audit departments. The recommendations of these studies have been taken into account by the Programme.

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11. CONCLUSION

- 11.1 The benefit Payment Application offers real benefit to the Department in streamlining its payment process, in reducing the risk of fraud and in supporting the development of an improved and more efficient accounting approach within DSS. It is anticipated that the cost of implementing and running this programme should be contained within current expenditure levels although some additional costs may be incurred if the OBCS option is taken.
- 11.2 Overall this programme still represented a good return on investment to the Public Funds. This case is now submitted to seek financial approval for the award of a contract to the recommended PFI service provider and to continue work to the point of implementation and full roll out of all benefits to card based method of payment.

Recommendations

- 11.3 The principal recommendations made are:
- (1) the programme should proceed because:
 - (a) the programme meets BA main objectives and
 - (b) the programme fulfils the strategic requirements of both BA and DSS corporately
 - (2) a contract for the development, design and management of the automated benefit payment system be awarded to the chosen PFI supplier as per recommendations contained in the Evaluation Board's report. Procurement under PFI ensures value for money. Treasury approval for this Programme and the financial viability of the business case has been sought through a separate detailed Position report and Financial statement.

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- 11.4 The committee and management structure described in Chapter 9 will continue to exert appropriate control over all elements within the programme and track progress of related external projects. All committees will be used fully and effectively to ensure the delivery of a value for money service.
- 11.5 The programme will conduct a post implementation review, particularly important in this instance due to the 'pathfinder' status of the PFI elements of the programme. Further check-step reviews will also be conducted if deemed appropriate.
- 11.6 Separate business cases are in preparation within POCL.

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ACT	Automated Credit Transfer
ACC	Area Computer Centre
BA	Benefits Agency
CAPS	Customer Accounting and Payment Strategy
CIS	Counter Interface Service
CMS	Card Management Service
CPCS	Customer Payments Computer System
DSS HQ	Department of Social Security Headquarters
EC	European Community
ESNS	Electronic Stop Notice System
GATT	General Agreement on Tariffs and Trade
HMT	Her Majesty's Treasury
IOP	Instrument of Payment
ITSA	Information Technology Services Agency
ITT	Invitation to Tender
MOU	Memorandum of Understanding
NINO	National Insurance Number
NPV	Net present value
OJEC	Official Journal of the European Community
OPSTRAT	Operational Strategy
PAGL	Programme Accounting and General Ledger
PAB	Programme Accounting Branch Project
PAS	Payment Authorisation System
PDR	Personal Details Repository
PFI	Private Finance Initiative
POCL	Post Office Counters Ltd
POGAB	Post Office, Girobank and Banking
PUN	Pick Up Notice
SODA	Seal of Departmental Approval
SSA (NI)	Social Security Agency (Northern Ireland)
SSR	Statement of Service Requirements
TMS	Transaction Management Service
VFM	Value for money
WPA	War Pensions Agency

ANNEXES

NUMBER	TITLE
1.	POCL Objectives
2.	Programme Scope
3.	BA/POCL Programme High Level Programme plan (March 1996)
4.	Investment Appraisal Summary
5.	Detailed Investment Appraisal
6.	Business Case Assumptions
7.	Sensitivity Analyses
8.	Risk Report (March 1996)
9.	Programme Steering Committee , terms of reference and membership
10.	Procurement Board, terms of reference and membership.
11.	Organisation Chart
12.	POGAB commercial policy

**BENEFIT PAYMENT APPLICATION
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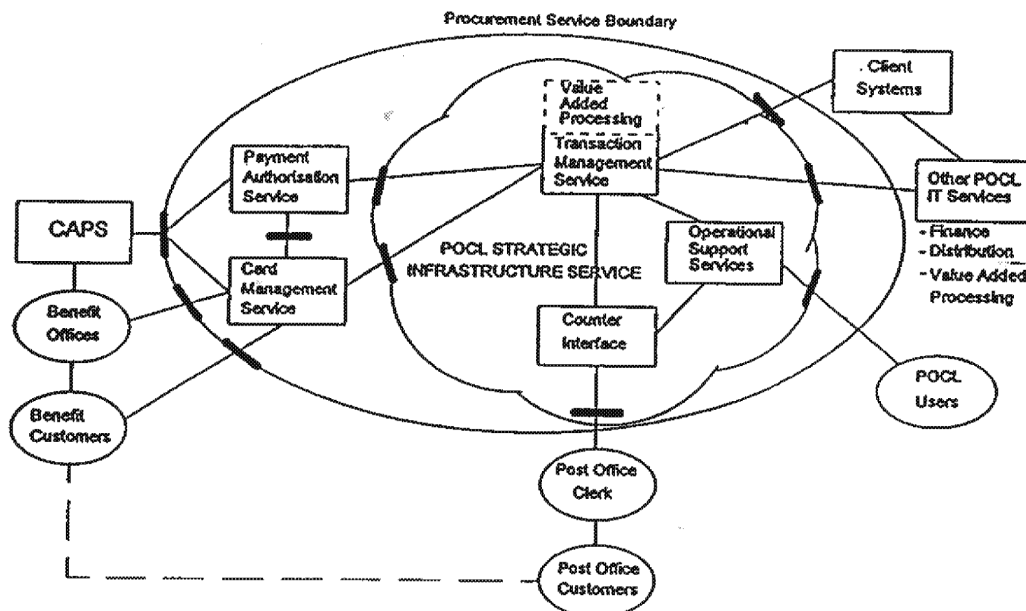
The POCL objectives are summarised as follows:-

- (a) to provide continued customer choice of services available at post offices and be acceptable to customers;
- (b) to retain and strengthen POCL's clear branding links with its customers
- (c) to maintain POCL's customer base;
- (d) to support government policy of a nation-wide network of post offices;
- (e) to be capable of introduction in all post offices;
- (f) to retain and enhance POCL's commercial and financial integrity;
- (g) to improve overall efficiency and cost effectiveness for POCL and its clients;
- (h) to support and help agents in the development of their private business;
- (i) to be acceptable to staff and agents;
- (j) to facilitate automation of other areas of POCL infrastructure, e.g. accounting and distribution, and support wider business information needs;
- (k) to retain and gain new business by improving quality of service to all clients;
- (l) to provide the flexibility to meet a diverse range of existing and potential client needs and applications;
- (m) to provide long term stability for the Post Office network as a retail outlet for benefit payments;
- (n) to adopt a flexible and efficient approach to IT systems and adhere to industry standards so as to secure the benefits of development in IT and retail sectors, thereby achieving value for money and faster delivery of new products and services;
- (o) to retain customers' trust in the integrity of POCL and improve the quality of service to customers;
- (p) to facilitate the provision of added value services, e.g. card and/or token issue and management, which will enhance POCL's service offering;
- (q) to ensure the migration of appropriate automated systems without any reduction in service levels; to be a key enabler in helping improve POCL's competitiveness, in meeting its business partners' needs, and enhancing future business viability.

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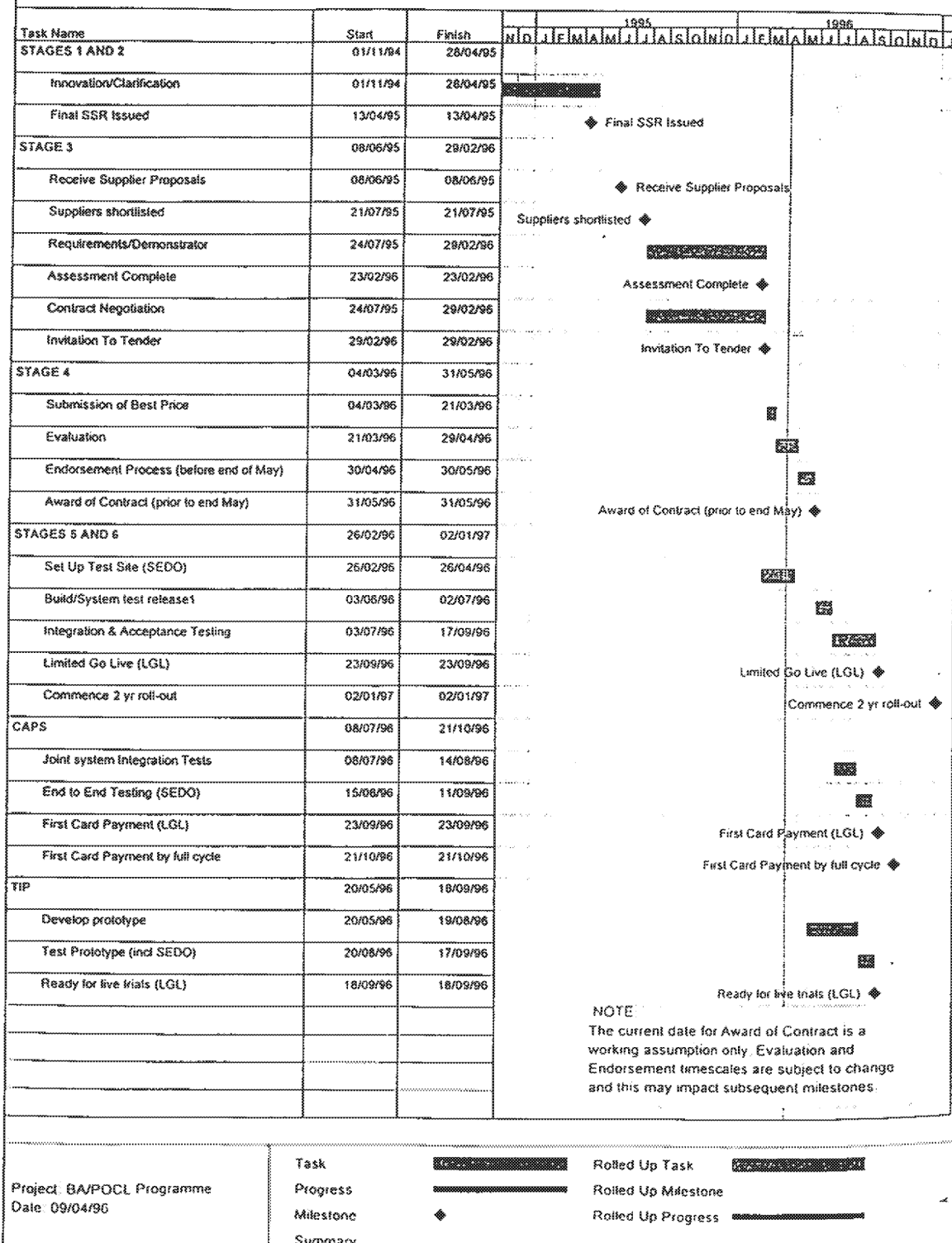
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ANNEX TWO



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ANNEX THREE

BA/POCL Automation Programme
Summary Plan

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ANNEX FOUR

Investment Appraisal Summary

A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	HMT FINANCE STATEMENT: SUMMARY INFORMATION												
2													
3	Tender: DICK			Version Number: bc132v28.003									
4													
5													
6	(all costs in £millions)			BASE YEAR 1995/1996	1995/1997	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	TOTALS
7	Contract A												
8	(a) Current costs	419.24		407.46	407.45	407.45	405.04	399.11	394.47	392.04	389.94	388.00	3682.75
9	(b) Revised costs	419.24		405.53	404.86	404.86	398.80	376.16	370.70	368.10	365.69	363.46	3472.84
10	1. Net cost (b)-(a)	0.00		-1.83	-2.59	-2.59	-6.24	-22.95	-23.77	-23.94	-24.25	-24.54	-129.91
11													
17	CAPS Programme Costs												
18	2. Net cost	34.62		57.97	60.53	60.67		39.92	32.12	31.73	31.39	30.28	379.21
19													
20	BA/POCL Programme												
21	Contract 2												
22	(e) Admin Costs	4.20		12.02	17.31	17.31	24.31	18.06	17.93	17.93	17.93	17.93	147.60
23	(f) BES Costs	0.00		0.00	9.82	9.82	32.83	39.50	37.78	35.50	33.26	31.20	219.89
24	(g) PAS Costs	0.00		0.00	8.25	8.25	34.87	40.99	39.53	38.84	34.01	31.37	227.86
25	(h) CMS Costs	0.00		0.00	4.33	4.33	24.61	35.44	34.69	33.48	31.34	29.33	194.23
26	(i) Other Contract-Related Costs	0.00		1.84	8.83	8.83	19.39	19.19	19.19	19.19	19.19	19.19	125.99
27	3. Total costs [excl CAPS] (e)-(i)	4.20		13.86	48.54	48.54	136.02	155.17	149.12	144.83	135.72	128.02	914.57
28	less: Total Admin savings	0.00		1.74	29.80	29.80	123.86	167.83	170.85	171.02	171.33	171.62	1066.05
29	4. Net cost - excl CAPS	4.20		12.12	18.74	18.74	12.16	-14.67	-21.73	-26.09	-35.61	-42.59	-83.48
30													
31	5. Total costs [incl CAPS] (2) + (3)	38.82		-71.83	109.06	109.06	196.68	193.09	181.23	176.86	187.10	189.30	1293.78
32	less: Total Admin savings	0.00		1.74	29.80	29.80	123.86	167.83	170.85	171.02	171.33	171.62	1066.05
33	6. Net cost [incl CAPS]	38.82		70.08	79.26	79.26	72.83	25.25	10.38	5.84	-4.22	-12.31	285.73
34													
35	7. Total Programme Savings (without ESNS/OBCS)	0.00		0.02	16.87	16.87	177.51	196.44	196.44	196.44	196.44	196.44	1176.60
36													
37	8. Total costs/savings (6)-(7)	38.82		70.06	62.40	62.40	-104.69	-171.19	-186.06	-190.80	-200.56	-208.75	-590.87
38													
39	9. OBCS Costs (with Card)	0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
40													
41													
42													
43	10. Total Programme Savings (with ESNS in M26)	0.00		49.32	63.29	63.29	179.71	196.44	196.44	196.44	196.44	196.44	1274.52

BENEFIT PAYMENT APPLICATION
BUSINESS CASE

Commercial in
Confidence

ANNEX FIVE

Detailed Investment Appraisal

BA/POCL Programme

2 Summary (£ Millions)

Created (25.4.96)

	A	B	C	D	E	F	G	H	I	J	K	
1	BA/POCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY											
2	Tender: DICK		Version Number: bc132v28.003									
3	2 SUMMARY (£ Millions)											
4			Financial Year									
5			Sunk costs		PES years			Contract Years				
6	Item	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4	
7												
8	COSTS											
9												
10	Staff	0.72	3.40	5.87	17.59	37.40	37.11	37.11	37.11	37.11	37.11	
11	Non Staff without OBCS	0.03	0.56	7.89	30.85	98.52	118.05	112.00	107.82	98.61	91.91	
12	DIFR	0.38	0.21	0.10	0.10	0.10	0.00	0.00	0.00	0.00	0.00	
14	Capital	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
15	Non Staff with OBCS	0.03	0.56	9.12	45.42	105.99	116.29	112.00	107.82	98.61	91.91	
16												
17	TOTAL COSTS [Excluding VAT]		1.13	4.20	13.86	48.54	136.02	153.17	149.12	144.93	135.72	129.02
19	TOTAL COSTS with OBCS [Excluding VAT]		1.13	4.20	15.09	63.10	143.49	153.40	149.12	144.93	135.72	129.02
20												
21	Total VAT for Funding		0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26	16.08
22	Total VAT for Funding with OBCS		0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26	16.08
23												
24	SAVINGS											
25												
26	Administrative											
27	Actual DIFR	0.00	0.00	0.09	7.00	15.00	15.00	15.00	15.00	15.00	15.00	
28	Actual Non DIFR	0.00	0.00	1.65	22.80	108.86	152.83	155.85	156.02	156.33	156.62	
31	Total administrative savings		0.00	0.00	1.74	29.80	123.86	167.83	170.85	171.02	171.33	171.62
34												
35	Programme											
37	All Programme savings	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44	196.44	
38	All Programme savings with OBCS	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44	196.44	
40	Total Programme savings		0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44	
41	Total Programme savings with OBCS		0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44	
43												
45	TOTAL SAVINGS		0.00	0.00	51.06	93.09	303.57	364.27	367.29	367.46	367.77	368.06
46	TOTAL SAVINGS with OBCS		0.00	0.00	54.29	141.35	307.95	364.27	367.29	367.46	367.77	368.06
49												

BA/POCL Programme

2 Summary (£ Millions)

Created (26.4.96)

	A	B	C	D	E	F	G	H	I	J	K
		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
50											
51	TOTALS										
52											
53	COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.12	18.74	12.16	-14.67	-21.73	-26.09	-35.61	-42.59
54											
55	COSTS with OBCS LESS ADMIN SAVINGS	1.13	4.20	13.34	33.30	19.63	-14.44	-21.73	-26.09	-35.61	-42.59
56											
65	COSTS LESS TOTAL SAVINGS	1.13	4.20	-37.20	-44.55	-167.55	-211.11	-218.17	-222.53	-232.05	-239.03
66	Cumulative	1.13	5.33	-31.87	-76.42	-243.98	-455.08	-673.26	-895.78	-1127.83	-1366.87
67	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
68	Discounted	1.13	4.20	-35.10	-39.65	-140.68	-167.22	-163.04	-156.88	-154.34	-149.97
69	NPV	0.00	0.00	-35.10	-74.75	-215.42	-382.64	-545.68	-702.56	-856.90	-1006.87
70											
77	COSTS LESS TOTAL SAVINGS with OBCS	1.13	4.20	-39.21	-78.25	-164.46	-210.88	-218.17	-222.53	-232.05	-239.03
78	Cumulative	1.13	5.33	-33.88	-112.12	-276.58	-487.46	-705.63	-928.16	-1160.21	-1399.24
79	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
80	Discounted	1.13	4.20	-36.99	-69.64	-138.08	-167.03	-163.04	-156.88	-154.34	-149.97
81	NPV	0.00	0.00	-36.99	-106.63	-244.71	-411.74	-574.78	-731.66	-886.00	-1035.97
82											
89											

BA/POCL Programme

3 Detailed Breakdown (£)

(28.04.96)

	A	B	C	D	E	F	G	H	I	J	K
1	BA/POCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - DETAILED BREAKDOWN										
2	Tender:	DICK		Version Number: bc132v28.003							
3	3 DETAILED BREAKDOWN										
4		Financial Year									
5		Sunk costs		PES years			Contract Years				
6	Item	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
7											
8	COSTS										
9											
10	PROGRAMME MANAGEMENT AND SUPPORT										
11											
12	TERMINAL HOUSE LONDON + SSANI										
13	Staff	724,409	3,395,964	2,002,829	1,255,123	375,877	0	0	0	0	0
14	Non Staff	28,717	561,885	584,015	507,726	288,256	0	0	0	0	0
15	DIFR	377,024	214,000	99,000	99,000	99,000	0	0	0	0	0
17	Capital	0	27,302	2,000	0	0	0	0	0	0	0
18	VAT on PM and S Costs	118,286	309,741	80,850	31,500	0	0	0	0	0	0
19											
20	Total Programme Management costs [excl VAT]	1,130,150	4,199,151	2,687,844	1,861,849	763,133	0	0	0	0	0
21											
22	BA IMPLEMENTATION										
23											
24	Staff	0	0	792,331	1,712,862	764,331	0	0	0	0	0
25	Non Staff	0	0	1,928,333	2,720,000	791,667	0	0	0	0	0
26	VAT on Implementation Costs	0	0	257,250	257,250	0	0	0	0	0	0
27											
28	Total BA Implementation costs [excluding VAT]	0	0	2,720,664	4,432,862	1,555,998	0	0	0	0	0
29											
30	RUNNING COSTS										
31											
32	Staff	0	0	3,074,545	14,617,902	36,284,095	37,113,323	37,113,323	37,113,323	37,113,323	37,113,323
33	Non Staff without OBCS	0	0	5,376,511	27,625,518	97,435,791	118,054,685	112,001,690	107,817,367	98,605,880	91,909,500
35	VAT on Running Costs without OBCS	0	0	760	3,920,980	16,154,838	20,287,063	19,600,296	18,868,039	17,256,029	16,084,163
36											
37	Total Running costs without OBCS [excl VAT]	0	0	8,451,056	42,243,420	133,699,886	153,168,008	149,115,013	144,930,690	135,719,203	129,022,823
38											
39	TOTAL COSTS without OBCS [excluding VAT]	1,130,150	4,199,151	13,859,564	48,538,132	136,019,017	153,168,008	149,115,013	144,930,690	135,719,203	129,022,823
42											
43	Total VAT for Funding	118,286	309,741	338,860	4,209,730	16,154,838	20,287,063	19,600,296	18,868,039	17,256,029	16,084,163

3 Detailed Breakdown (£)

(25 Dec 96)

A	B	C	D	E	F	G	H	I	J	K
	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
44 SAVINGS										
45										
46										
47 ADMINISTRATIVE										
48										
49 Actual										
50 DIFR	0	0	91,719	7,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
51 Non DIFR	0	0	1,651,031	22,800,777	108,859,262	152,834,751	155,847,627	156,017,627	156,327,627	156,617,627
55										
56 Total Administrative savings	0	0	1,742,750	29,800,777	123,859,262	167,834,751	170,847,627	171,017,627	171,327,627	171,617,627
60										
61 PROGRAMME										
62										
63 All Programme savings (without ESNS + Rewards)	0	0	20,115	16,866,925	177,513,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
64 All Programme savings	0	0	49,320,115	63,286,925	179,713,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
68										
70										
71 Total Programme savings	0	0	49,320,115	63,286,925	179,713,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
73										
74 TOTAL SAVINGS	0	0	51,062,865	93,087,702	303,572,394	364,274,780	367,287,656	367,457,656	367,767,656	368,057,656
77										
78 TOTALS										
79	1,130,150	4,199,151	12,116,814	18,737,355	12,159,755	-14,666,743	-21,732,615	-26,086,938	-35,608,425	-42,594,805
80 COSTS LESS ADMINISTRATIVE SAVINGS										
85										
92 COSTS LESS TOTAL SAVINGS	1,130,150	4,199,151	-37,203,301	-44,549,571	-167,553,377	-211,106,772	-218,172,643	-222,526,966	-232,048,453	-239,034,833
94 Discount Rate(6%)	1,0000	1,0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
95 Discounted	1,130,150	4,199,151	-35,097,594	-39,649,118	-140,677,816	-167,217,674	-163,040,416	-156,881,511	-154,335,426	-149,970,454
96 NPV	0	0	-35,097,594	-74,746,712	-215,424,528	-382,642,202	-545,682,618	-702,564,129	-856,899,556	-1,006,870,010

A												
1	BAUPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - PROGRAMME MAN											
2	Tender: DICK											
3	Version Number: bc132v28.003											
4	4 PROGRAMME MANAGEMENT SUMMARY											
5	Financial Year											
6	Item	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4	
7	TERMINAL HOUSE LONDON											
8	STAFF											
9												
10												
11												
12	Programme Core Staff											
13	PSO and core projects staffing - consultants	675,919	1,690,801	444,000	180,000	0	0	0	0	0	0	0
14	VAT on consultancy costs	118,286	295,880	77,700	31,500	0	0	0	0	0	0	0
15	PSO and core projects staffing - BA	48,490	1,036,014	901,829	466,123	246,877	0	0	0	0	0	0
16	Sub Total Core Staff (excl VAT)	724,409	2,726,815	1,345,829	646,123	246,877	0	0	0	0	0	0
17	Commercial Team											
18	BA staff and T&S (2k cap in 98/7)	0	90,000	55,000	0	0	0	0	0	0	0	0
19	Consultancy	0	79,149	18,000	0	0	0	0	0	0	0	0
20	VAT on consultancy costs	0	13,851	3,150	0	0	0	0	0	0	0	0
21	Sub Total Commercial Team (excl VAT)	0	169,149	73,000	0	0	0	0	0	0	0	0
22												
23	Total staff costs (excl VAT)	724,409	2,895,964	1,418,829	646,123	246,877	0	0	0	0	0	0
24												
25	NON STAFF											
26												
27	PSO and core projects staff related	28,717	388,286	131,985	52,696	22,226	0	0	0	0	0	0
28	Accommodation	0	21,046	231,030	231,030	231,030	0	0	0	0	0	0
29	Commercial Staff-Related	0	12,553	0	0	0	0	0	0	0	0	0
30												
31	Total non staff costs	28,717	421,885	363,015	283,726	253,256	0	0	0	0	0	0
32												
33	CAPITAL											
34												
35	Total Capital costs	0	27,302	2,000	0	0	0	0	0	0	0	0
36												
37	DIFR											
38												
39	Terminal House IT support	0	84,000	84,000	84,000	84,000	0	0	0	0	0	0
40	IT implementation and outlay	0	115,000	0	0	0	0	0	0	0	0	0
41	IT running	377,024	15,000	15,000	15,000	15,000	0	0	0	0	0	0
42												
43	Total DIFR costs	377,024	214,000	99,000	99,000	99,000	0	0	0	0	0	0

4 PM and Support

Created 26.4.96

A		B	C	D	E	F	G	H	I	J	K
		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
44	LONDON TOTALS										
45		724,409	2,895,984	1,418,829	646,123	246,877	0	0	0	0	0
46		28,717	421,885	363,015	263,726	253,256	0	0	0	0	0
47	Staff	377,024	214,000	99,000	99,000	99,000	0	0	0	0	0
48	Non Staff	0	0	0	0	0	0	0	0	0	0
49	DIFR	0	0	0	0	0	0	0	0	0	0
50	NRR	0	0	0	0	0	0	0	0	0	0
51	Capital	0	27,302	2,000	0	0	0	0	0	0	0
52											
53	Total London Programme Management costs	1,130,150	3,559,151	1,882,844	1,028,849	599,133	0	0	0	0	0
54											
55	NORTHERN IRELAND										
56											
57	NORTHERN IRELAND TOTALS										
58											
59	Staff	0	500,000	584,000	609,000	129,000	0	0	0	0	0
60	Non Staff	0	140,000	221,000	224,000	35,000	0	0	0	0	0
61	Capital	0	0	0	0	0	0	0	0	0	0
62											
63	Total SSANI Programme Management Costs	0	640,000	805,000	833,000	164,000	0	0	0	0	0
64											
65	TOTAL ALL PROGRAMME MANAGEMENT										
66											
67	Staff	724,409	3,395,984	2,002,829	1,255,123	375,877	0	0	0	0	0
68	Non Staff	28,717	561,885	584,015	507,726	288,256	0	0	0	0	0
69	DIFR	377,024	214,000	99,000	99,000	99,000	0	0	0	0	0
70	NRR	0	0	0	0	0	0	0	0	0	0
71	Capital	0	27,302	2,000	0	0	0	0	0	0	0
72											
73	Total VAT element for Funding	118,286	309,741	80,850	31,500	0	0	0	0	0	0
74											
75	Total all Prog Man Costs [excl VAT]	1,130,150	4,199,151	2,687,844	1,861,849	763,133	0	0	0	0	0

		A	B	C	D	E	F	G	H	I	J	K	L	M	N	
1	BA/POCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - IMPLEMENTATION COSTS															
2	Tender:		Version Number: bct132v28.003													
3	7 BA IMPLEMENTATION COSTS		DICK													
4																
5																
6	Item	Volume	Total Costs Unit cost/£	Year Cost	Sunk costs 94/5	95/6	PES years 96/7 97/8 98/9			Contract Years 99/0 00/1 01/2 02/3 03/4						
7	STAFF															
8																
9																
10	Training															
11	Training in BA Districts etc - Staff	157,3042	17,800	2,799,969	0	0	699,992	1,399,984	699,992	0	0	0	0	0	0	
12	Training in BA Districts etc - Trainers	6,2292	25,261	157,356	0	0	39,339	78,678	39,339	0	0	0	0	0	0	
13	Training in SSA Districts			312,200	0	0	53,000	234,200	25,000	0	0	0	0	0	0	
14	Total staff implementation costs			3,269,524	0	0	792,331	1,712,862	764,331	0	0	0	0	0	0	
15																
16	NON STAFF															
17																
18	Publicity															
19	Publicity not in Service Provider charges	1	2,940,000	2,940,000	0	0	1,470,000	1,470,000	0	0	0	0	0	0	0	
20	VAT on publicity costs			514,500	0	0	257,250	257,250	0	0	0	0	0	0	0	
21	Sub Total (excl VAT)			2,940,000	0	0	1,470,000	1,470,000	0	0	0	0	0	0	0	
22	New Written Material															
23	New stationery - interim	1	416,667	416,667	0	0	208,333	208,333	0	0	0	0	0	0	0	
24	New stationery - permanent	1	750,000	750,000	0	0	0	0	375,000	375,000	0	0	0	0	0	
25	New leaflets - interim	1	416,667	416,667	0	0	208,333	208,333	0	0	0	0	0	0	0	
26	New leaflets - permanent	1	750,000	750,000	0	0	0	0	375,000	375,000	0	0	0	0	0	
27	New/revised instructions/guides/manuals	1	166,667	166,667	0	0	41,667	83,333	41,667	0	0	0	0	0	0	
28	Sub Total			2,500,000	0	0	458,333	1,250,000	791,667	0	0	0	0	0	0	
29																
30																
31	Total non staff implementation costs			5,440,000	0	0	1,928,333	2,720,000	791,667	0	0	0	0	0	0	
32	Tot non staff imp costs with OBSCS			5,440,000	0	0	1,928,333	2,720,000	791,667	0	0	0	0	0	0	
33																
34																
35																
36	Total VAT element for Funding			514,500	0	0	257,250	257,250	0	0	0	0	0	0	0	
37																
38																
39																
40																
41	TOTAL BA IMPL COSTS (excl VAT)			8,709,524	0	0	2,720,664	4,432,862	1,555,998	0	0	0	0	0	0	

		A	B	C	D	E	F	G	H	I	J	K	L	M	N
BA/POCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - RUNNING COSTS															
Version Number: bct132v28.003															
Tender:		DICK													
8 RUNNING COSTS															
4 ASSUMES SERVICE WITH OBCS															
1	1	Total costs		Sunk costs		PES years		Financial Year		Contract Years					
2	2	Volume	Unit cost/c	Total Cost	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2			
3	3														
4	4														
5	5														
6	6														
7	7														
8	8														
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	A	B	C	D	E	F	G	H	I	J	K	L	M	N
60	SOCIAL SECURITY AGENCY													
61	Contract "A"				0	0	0	0	0	0	0	0	0	0
62														
63	SSA Contract "A"				0	0	0	0	0	0	0	0	0	0
64														
65	SERVICE PROVIDER CHARGES													
66	Contracts "B" & "C"													
67	Tender price WITHOUT OBCS (BA share)				0	0	4,344	22,405,598	92,313,359	115,926,073	112,001,690	107,817,367	98,605,880	91,909,500
68	Tender price with OBCS (BA share)				0	0	813,881	32,849,840	98,507,930	116,157,265	112,001,690	107,817,367	98,605,880	91,909,500
69	Difference - nominal OBCS price				0	0	809,537	10,444,242	6,194,571	237,192	0	0	0	0
70	VAT on s/p costs WITHOUT OBCS				0	0	760	3,920,980	16,154,838	20,287,063	19,800,296	18,868,039	17,256,029	16,084,163
71	VAT on s/p costs with OBCS				0	0	142,429	5,748,722	17,239,888	20,327,521	19,800,296	18,868,039	17,256,029	16,084,163
72	Total S/P charges WITHOUT OBCS				0	0	4,344	22,405,598	92,313,359	115,926,073	112,001,690	107,817,367	98,605,880	91,909,500
73	Total S/P charges with OBCS				0	0	4,344	22,405,598	92,313,359	115,926,073	112,001,690	107,817,367	98,605,880	91,909,500
74	Excluding VAT				0	0	813,881	32,849,840	98,507,930	116,157,265	112,001,690	107,817,367	98,605,880	91,909,500
75	OBCS													
76	OBCS costs EXCLUDING S/P CHARGES				0	0	417,944	4,120,690	1,275,785	0	0	0	0	0
77	VAT on OBCS costs				0	0	72,140	721,121	223,262	0	0	0	0	0
78	Total OBCS (excl VAT)				0	0	417,944	4,120,690	1,275,785	0	0	0	0	0
79														
80	Total non staff running costs				0	0	5,376,511	27,825,518	97,435,791	116,054,885	112,001,690	107,817,367	98,605,880	91,909,500
81	Total non staff run costs with OBCS				0	0	6,603,992	42,190,450	104,906,147	116,283,877	112,001,690	107,817,367	98,605,880	91,909,500
82	TOTALS													
83	Staff				0	0	3,074,545	14,817,902	36,264,095	37,113,323	37,113,323	37,113,323	37,113,323	37,113,323
84	Non Staff				0	0	5,376,511	27,825,518	97,435,791	116,054,885	112,001,690	107,817,367	98,605,880	91,909,500
85	Non Staff with OBCS				0	0	6,603,992	42,190,450	104,906,147	116,283,877	112,001,690	107,817,367	98,605,880	91,909,500
86	Total VAT element for Funding				0	0	760	3,920,980	16,154,838	20,287,063	19,800,296	18,868,039	17,256,029	16,084,163
87	Total VAT for Funding with OBCS				0	0	215,569	6,468,843	17,462,150	20,327,521	19,800,296	18,868,039	17,256,029	16,084,163
88	Total Running costs (excl VAT)				0	0	8,481,056	42,243,420	133,699,886	153,168,008	149,115,013	144,930,690	135,718,203	129,022,823
89	Total Running cost (incl VAT) with OBCS				0	0	9,678,537	56,808,352	141,170,242	153,399,200	149,115,013	144,930,690	135,718,203	129,022,823

9 Savings

Support Programs

[illegible]

BAPOCL Programme

9 Savings

Created: 28/4/96

47	48	A Item	B Volume	C Total costs		D Total Cost	E Sunk costs 94/5	F Sunk costs 95/6	G PES years 96/7	H PES years 97/8	I PES years 98/9	Contract Years				N
				Unit cost/£	£							J 99/0	K 00/1	L 01/2	M 02/3	
49		Non-DIER														03/4
50		Production														
51		IOP Stationery - ACC Issue	76,554,750	0.05	3,793,865											
52		Manual Issue	11,294,471	0.05	559,727											
53		Accompanying Forms	87,849,221	0.01	878,492											
54		Envelopes	87,849,221	0.01	878,492											
55		Manual Production - Staff Element	11,294,471	1.58	17,866,194											
56		Miscellaneous Stockholder action	71,155	14.63	1,041,201											
57		Lost/Missing/Stolen Giro Action														
58		Staff action - post caller interview	290,301	19.48	5,654,909											
59		Returned Giro Action														
60		Staff action - District	219,623	0.69	151,776											
61		Postage														
62		System	76,554,750	0.22	16,995,154											
63		Manual	11,294,471	0.25	2,823,818											
64																
65																
66		Sub Total			50,099,900		0	0	0	1,881,389	35,079,087	48,877,418	50,099,900	50,099,900	50,099,900	
67		Total Girocheque savings			58,220,969		0	0	0	5,471,221	43,200,166	56,968,487	58,220,969	58,220,969	58,220,969	
68		OB/Giro Stop/Recall Stationery														
69		Stop Notices - Manual	500,000	0.009	4,500											
70		Recall Notices - Manual	128,000	0.008	1,024											
71		Total Stop/Recall savings			6,524		0	0	1	1,075	5,014	5,524	5,524	5,524	5,524	

A		B	C		D	E	F	G	H	I	J	K	Contract Years			N
72	73	Volume	Unit cost/£	Total Cost	Sunk costs	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4	
73	Item															
74	BA and SSANI District Savings															
75	Staff															
76	IS Change Circ/stances - Recall action	800,419	0.78	624,330												
77	IS Change Circ/stances - action on Return	3,179,561	0.50	1,602,722												
78	IS Change Circ/stances - Phone Calls	917,303	2.56	2,348,926												
79	IS Deductions - Recall action	1,119,153	0.78	873,784												
80	IS Deductions - action on Return	2,048,051	0.50	1,032,361												
81	IS Deductions - Phone Calls	590,863	2.56	1,513,014												
82	IS Mortgage Cases - Recall action	14,729	0.78	11,500												
83	IS Mortgage Cases - action on Return	14,729	0.50	7,425												
84	IS Social Fund Deductions - Recall action	23,100	0.78	18,035												
85	IS Social Fund Deductions - action on Return	43,957	0.50	22,158												
86	Cont Bens Change Circ - Recall action	1,436,555	0.78	1,121,596												
87	Cont Bens Change Circ - action on Return	2,733,666	0.50	1,377,970												
88	Cont Bens Change Circ - Phone Calls	788,669	2.56	2,019,532												
89	Callers - Returned Order Book Related	1,138,520	2.28	2,600,140												
90	Callers - Lost/Missing/Stolen enquiries	688,135	2.28	1,571,555												
91	Callers - Phone Calls	891,451	2.56	2,282,727												
92	Overpayments - Recovery Action	47,656	20.50	977,155												
93	Central Staff Savings - CBC returned OBs	513,508	0.70	357,319												
94	Central Staff Savings - ICA returned OBs	162,065	1.89	306,508												
95	Central Staff Savings - FAMC returned OBs	45,000	1.15	51,572												
96	Central Staff Savings - DLA returned OBs	202,546	0.71	143,882												
97	Central Staff Savings - AA returned OBs	54,666	0.80	43,583												
98	Central Staff Savings - DWA returned OBs	586	2.01	1,178												
99	Central Staff Savings - War P returned OBs	10,400	2.36	24,531												
100	Overpayments - Calculate/Adjudicate	87,510	26.02	2,277,176												
101	Issue Clerical PUNs	1	2,653,416	25,864,694	0	0	8,478	6,961,487	23,672,942	25,864,694	25,864,694	25,864,694	25,864,694	25,864,694		
102	Sub Total															
103	Non Staff															
104	Order Book production hardware	1,455	19.80	28,909												
105	Associated District non-staff costs	1	252.46	252,460												
106	Post Opening Contract Savings	1	169.56	169,555												
107	Issue Clerical PUNs	1	20,800	20,800												
108	Sub Total															
109	Total District savings															
110																
111																
112	Items peculiar to SSANI															
113	Staff															
114	Child Benefit Office	1	185,000	185,000	0	0	0	0	124,000	185,000	185,000	185,000	185,000	185,000		
115	Sub Total															
116	Non Staff															
117	Special carriage of order books/Grochques	1	37,018	37,018	0	0	0	12	10,050	33,826	37,018	37,018	37,018	37,018		
118	Grochque reconciliation	1	225,926	225,926	0	0	0	0	9,798	201,544	225,926	225,926	225,926	225,926		
119	Sub Total															
120	Total additional SSANI savings															
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121	Item	Volume	Total costs	Total Cost	Sunk costs			PES years		98/9	00/1	01/2	02/3	03/4
122	123 Paid Order Unit, Liashally				94/5	95/6	96/7	97/8						
123	124 Staff	1	5,447,686	5,447,686	0	0	3,623	1,007,235	5,020,565	5,447,686	5,447,686	5,447,686	5,447,686	5,447,686
124	125 Non Staff	1	76,000	76,000	0	0	0	0	0	76,000	76,000	76,000	76,000	76,000
125	Total Paid Order Unit savings			5,523,686	0	0	3,623	1,007,235	5,020,565	5,523,686	5,523,686	5,523,686	5,523,686	5,523,686
126														
127	128 Fraud Staff	310	17,800	5,510,789										
128	129 Sector Fraud Staff	90	19,640	1,767,570										
129	130 Organised Fraud Staff													
130	Total Fraud Staff savings			7,278,359	0	0	2,386	1,959,972	6,661,698	7,278,359	7,278,359	7,278,359	7,278,359	7,278,359
131														
132	133 Other Contract Savings				0	0	1,630,000	2,590,000	6,240,000	22,950,000	23,770,000	23,940,000	24,250,000	24,540,000
133	134 Reduction in costs as Giro use reduces	0	0.00	0	0	0	1,630,000	2,590,000	6,240,000	22,950,000	23,770,000	23,940,000	24,250,000	24,540,000
134	135 Total Other Contract savings			0	0	0								
135														
136	136 Total Actual DIFR savings			15,000,000	0	0	91,719	7,000,000	15,000,000	15,000,000	16,000,000	16,000,000	16,000,000	15,000,000
137	137 Total Actual Non DIFR savings			132,041,571	0	0	1,651,031	22,800,777	108,859,262	152,834,751	155,847,627	158,017,627	156,327,627	156,617,627
138	140 Total Actual Administrative Savings			147,077,627	0	0	1,742,760	29,800,777	123,859,262	167,834,751	170,847,627	171,017,627	171,327,627	171,617,627

9 Savings

Created(28.4.96)

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Volume	Total cost/£	Total Cost	Sunk costs 94/5	95/6	96/7	PES years 97/8	98/9	99/0	00/1	Contract Years 01/2	02/3	03/4
141 Item													
142													
143													
148 PROGRAMME													
149													
150 Order Book Fraud Prevention													
151 Customers onto cards	1	187,710,000	168,939,000	0	0	20,115	15,674,316	152,979,874	168,939,000	168,939,000	168,939,000	168,939,000	168,939,000
152 ESNS inside M25 - already in PES				0	0	43,680,000	43,680,000	1,750,000	0	0	0	0	0
153 Rewards Scheme - already in PES				0	0	5,620,000	2,740,000	450,000	0	0	0	0	0
154 Potential OBCS outside M25	1	41,967,059	41,967,059	0	0	41,959,488	33,802,442	3,876,602	0	0	0	0	0
155 Actual OBCS (using live counter positions)				0	0	3,229,839	48,263,701	4,376,838	0	0	0	0	0
156 Total OB fraud savings with OBCS			168,939,000	0	0	52,549,954	110,358,017	159,556,812	168,939,000	168,939,000	168,939,000	168,939,000	168,939,000
157 Total OB fraud Inc ESNS + Rows in PES			168,939,000	0	0	49,320,115	62,054,316	155,179,974	168,939,000	168,939,000	168,939,000	168,939,000	168,939,000
158 Total Order Book Fraud [BAPOCL only]			168,939,000	0	0	20,115	15,674,316	152,979,874	168,939,000	168,939,000	168,939,000	168,939,000	168,939,000
159													
160 Girocheque fraud prevention													
161 Customers onto cards	290,301	105.26	27,501,029	0	0	0	1,192,609	24,533,158	27,501,029	27,501,029	27,501,029	27,501,029	27,501,029
162 Total Girocheque fraud			27,501,029	0	0	0	1,192,609	24,533,158	27,501,029	27,501,029	27,501,029	27,501,029	27,501,029
163													
164 TOT PROG SAVS without ESNS+Rewards			196,440,029	0	0	20,115	16,866,925	177,513,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
165													
166 TOTAL PROGRAMME SAVINGS			196,440,029	0	0	49,320,115	63,286,925	179,713,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
167													
168 TOTAL PROG SAVS with OBCS			196,440,029	0	0	52,549,954	111,550,626	184,089,970	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
169													
170 TOTALS													
171													
172 Actual Administrative savings			147,077,627	0	0	1,742,750	29,800,777	123,859,262	167,834,751	170,847,627	171,017,627	171,327,627	171,617,627
173 Programme savings without ESNS/Rewards			196,440,029	0	0	20,115	16,866,925	177,513,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
174 Programme savings			196,440,029	0	0	49,320,115	63,286,925	179,713,132	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
175 Programme savings with OBCS			196,440,029	0	0	52,549,954	111,550,626	184,089,970	196,440,029	196,440,029	196,440,029	196,440,029	196,440,029
176													
177 TOTAL SAVINGS without ESNS/Rewards			343,517,656	0	0	1,762,865	46,667,702	301,372,394	364,274,780	367,287,656	367,457,656	367,767,656	368,057,656
178													
179 TOTAL SAVINGS			343,517,656	0	0	51,062,865	93,087,702	303,572,394	364,274,780	367,287,656	367,457,656	367,767,656	368,057,656
180													
181 TOTAL SAVINGS with OBCS			343,517,656	0	0	54,292,704	141,351,403	307,949,232	364,274,780	367,287,656	367,457,656	367,767,656	368,057,656

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****ANNEX SIX****BA/POCL BUSINESS CASE: SPREADSHEET ASSUMPTIONS**

NOTE: Base year for calculations is 1995/1996; all costs are at 1995/1996 prices.

PROJECT MANAGEMENT & SUPPORT

These costs cover BA Programme & Commercial Team staff and non-staff costs. Staff costs include the Programme Support Office, core project staff and consultancy support. Non-staff costs include accommodation costs, Demonstrator costs, DIFR costs, IT implementation support and running costs. 64% of the total PM & Support costs are "sunk" costs and the remaining 36% are attributable to PES years 1996/97, 1997/98 & 1998/99. There are no anticipated costs in this category thereafter.

IMPLEMENTATION COSTS**Staff: Training:**

Assumes that all generic CAPS training costs (e.g. PDCS/CPCS) and any benefit-specific training costs (e.g. IS/ChB/JSA) will be included in the CAPS Business Case.

It is assumed that CMS and other card-related training material will be provided by the chosen supplier but training will be delivered locally by BA/SSA District Training Officers.

Assumed that 149 Training Officers will be required to deliver 0.5 days training per person to BA District, Central Services and ES staff. Provision has been made for course preparation by Training Officers (1 day) and monitoring effectiveness of training. In all, 60,202 staff (excluding SSA) in grades LOI and LOII will require training and it is assumed that each training officer will deliver 14 training sessions, each session accommodating 30 staff. Volumes and unit costs have been updated using 1996/1997 Whole Unit Times (WUTs) and formulae provided by Staff Resources Unit (SRU).

Costs will be incurred over a 3-year period, 1996/97 (25%), 1997/98 (50%) and 1998/99 (25%).

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

SSA costs have been supplied by District Support Branch and Information Systems Management Unit. Training will be required for 2,500 staff and the costs, spread over period 1996/1997 - 1998/1999 are reflected in the SSA Business Case.

Non-Staff: Publicity

Assumes a National Publicity Campaign (e.g. directed at Special Interest Groups), over and above that being provided by the chosen supplier, will be required. Costs, at 1995/96 prices, represent £210,000 for each of the 7 Post Office regions. Further refinement may be required when the chosen supplier's proposals are known.

Non-Staff: Written Material Included is the cost of providing CMS training manuals and associated material and the cost of reproducing material for BA/SSA/ES staff. Costs will be incurred over a 3-year period, 1996/97, 1997/98 and 1998/99. It is not anticipated that these estimates will be exceeded by the chosen supplier's proposals.

The cost of providing benefit-specific and generic CAPS written material together with the costs of providing a replacement for the order book Yellow Pages will be included in the CAPS Business Case.

RUNNING COSTS - STAFF**Contract management**

In consultation with POGAB it is estimated that the additional costs of managing the new contracts with POCL and the Supplier should not exceed 0.75% of the total contract price (excluding VAT).

Additional Contract Related Costs

Some additional costs have been identified as a result of the Supplier's proposals eg consumables and CAPS interface costs. These are estimated at £19.2m in steady state.

BA & SSA Districts

Although some existing work processes will be discontinued (e.g. action on receipt of returned IOPs), it is assumed that there will be some new processes required directly associated with Benefit Payment Cards (e.g. the issue of temporary tokens). The additional processes identified have been checked by Staff Resource Unit (SRU).

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

The average of staff costs for the relevant grades (LOI & LOII) has been included as the unit cost. Staff costs for the following new processes have been calculated using the Departmental Ready Reckoner and from information supplied by Information Systems Management Unit, Belfast but exclude on-costs. The calculations have been checked by SRU.

In calculating the additional costs, account has been taken of the latest CAPS benefit migration assumptions and Post Office counter infrastructure roll-out.

Issue Temporary Tokens: volumes and unit costs have been updated using WUTs and formulae provided by SRU. Additional steady-state costs have been estimated at £13,264,215.

Miscellaneous Stockholder activities: volumes and unit costs have been updated using WUTs and formulae provided by SRU. Additional steady-state costs have been estimated at £439,850.

Return of cards to Districts: volumes and unit costs have been updated using WUTs and formulae provided by SRU. Additional steady-state costs have been estimated at £2,114,205.

Contact Contract Section: SRU have identified this additional work process and using unit costs and agreed volumes, additional steady-state costs have been estimated at £1,179,387.

RUNNING COSTS: NON-STAFF**Post Implementation Review**

A one-off cost of £18,612, (representing consultancy support) to conduct a Post Implementation Review has been included in 1999/2000. The likely costs were provided by Departmental IS Audit.

BA Security initiatives

ESNS and PO Rewards scheme: These are the ongoing costs, reflected in the PES '95 settlement, and have been included to avoid double-counting. The inclusion was agreed by BA Security. National roll-out of ESNS has not yet been agreed, and approval is dependent upon the service providers' transaction charges and a robust Business Case. No ESNS costs will be incurred beyond 1998/99. The introduction of Benefit Payment Cards will

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

limit the scope for PO Rewards and therefore it has been assumed that the PO Rewards scheme will also cease in 1998/99.

Order Book Checking System (OBCS)

OBCS option is under consideration subject to affordability issues especially in the PES years. OBCS running costs over the three PES years in total are estimated at £18m. They comprise of Supplier transaction charges at around 7p and POCL charges at 1p per transaction. The total also includes ITSA development costs estimated at £6m over three years.

POCL Transaction charges

Volumes and charges provided by POGAB in February 1996 have been used. Costs of the anticipated increase in Contract "A" charges have been calculated taking account of the current charge (16.75p) and a revised charge (18.00p) for card payments. This represents an increase of 1.25p per transaction and is a standard payment irrespective of the chosen supplier or transaction type. The agreement assumes a 4.5-second increase in transaction time. May require further refinement after final negotiation stage.

The cost of the final issue of new cards to customers is shown as an addition to Contract "B" transaction charges but may be refined once the final negotiated price is available and Contract "2" is negotiated.

SERVICE PROVIDER CHARGES

The Supplier charges are based on the recently evaluated tender.

SAVINGS

The value of all savings is dependent on the timeous roll-out of equipment and the migration of benefits to CAPS. Benefit roll-out will commence with a 3-month "limited" go-live period followed by full "National" roll-out. Assumption made that there will be a 26-week card roll-out from the release date for all benefit systems (except Incapacity Benefits - 7 months; and ChB - 4 months). The draft "CAPS Component Release Strategy" document provides actual go-live dates for most benefits (or groups of benefits). This information has been used, in conjunction with Post Office roll-out assumptions to calculate potential savings. For Business Case purposes though,

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

month-commencing dates (not actual dates) have been used. The following table compares the "actual" dates with those used for Business Case modelling purposes:-

CAPS Component

<u>Release Strategy</u>	<u>Benefits</u>	<u>Business Case</u>
20 Jan 1997	ChB/OPB/GA	01 Feb 1997
07 Apr 1997	IB/SDA/MA (STB)	01 Apr 1997
12 May 1997	FAMC/DWA/ETU	01 May 1997
16 Jun 1997	RP/WB (LTB)	01 Jul 1997
07 Jul 1997	DLA/AA	01 Jul 1997
05 Jan 1998	IS/JSA/ChB(SSANI)	01 Jan 1998
Apr 1998	SF	01 Apr 1998
Apr 1998	Clerical Payments	01 Apr 1998
Apr 1998	War Pensions	01 Apr 1998
Apr 1998	Mop-up	01 Apr 1998

Although not specified in the migration timetable, it is assumed that cases combined with IS (e.g. RP & AA) will be migrated with IS cases from 5th January 1998. Assumed that roll-out of benefits will be completed by end-January 1999, but this is dependant upon the Post Office roll-out being complete by end-December 1998.

It is anticipated that the Post Office roll-out will commence with a 3-month pilot at 10 sites during period September to December 1996, followed by a 24-month National roll-out (at a rate of 200 sites per week); large conurbation's first, with London and Northern Ireland in "parallel streams". It is anticipated that offices in the M25 region will roll-out during 1998.

There will be a 4-week lead-in for each customer in relation to Post Office card readiness; CAPS notification to CMS to issue cards; card production & distribution and card receipt by customer. Order books will continue to be issued for 20/26 week periods if nominated Post Offices are not card-ready 4 weeks before next order book due.

It has been assumed that all staff savings will be delivered 6 months behind this roll-out schedule. SOS has agreed that migration to Benefit Payment Cards in Northern Ireland should commence in April 1997, therefore the Post Office infrastructure there needs to be in place by end-March 1997.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****Admin Savings**

With the introduction of Benefit Payment Cards some existing work processes will be discontinued. Extensive liaison with SRU has identified obsolete work processes and using SRU volumes and WUTs, Admin Savings in BA/SSA Districts have been calculated. Order Books will not be required beyond 1999/2000 and only a limited number of girocheques will be required for customers who cannot be paid by Card and for administrative purposes. The following work processes will no longer be required and savings have been calculated as follows:-

No longer issue Order Books (production costs): the savings have been calculated based on current Printed Output Volume information supplied by ITSA. The diminishing requirement year-on-year is based on the CAPS migration and Post Office roll-out assumptions.

Potential savings of £17,835,083 in OB production costs have been identified due to a reduction in volumes but as ITSA anticipate a need to increase printing activity to provide information about payments made by card, only £6,878,931 (38.5%) at steady-state is currently thought by ITSA to be realisable.

Lost/Missing/Stolen Order Book action: it is estimated that 477,193 OBs are reported as lost, missing or stolen each year. At a unit cost of £21.65, calculated using SRU formulae for staff, personnel and appraisal elements, this represents annual savings of £9,295,466.

Returned OB Action: 17.28% of OBs issued are recalled. Savings have been calculated taking account of the fact that work in this area will be significantly reduced and this represents steady-state savings of £8,320,533.

Postage: postage costs will reduce and savings have been calculated on the basis of 1.5 books per envelope for system-produced books; and 1 book per envelope for manual issues. This represents steady-state savings of £15,026,455.

No longer issue Girocheques (production costs): as for Order Books. The savings have been calculated using Printed Output Volume information supplied by ITSA. The diminishing requirement year-on-year is based on the CAPS migration and Post Office roll-out assumptions.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

Potential savings of £21,055,587 in girocheque production costs have been identified due to a reduction in volumes but as ITSA anticipate a need to increase printing activity to provide information about payments made by card, only £8,121,069 (38.5%) at steady-state is currently thought by ITSA to be realisable.

Lost/Missing/Stolen Girocheque action: it is estimated that 290,301 girocheques are reported as lost, missing or stolen each year. At a unit cost of £21.65, calculated using SRU formulae for staff, personnel and appraisal elements, this represents annual savings of £5,654,909.

Returned Giro - District staff action: 0.25% of Giros issued are recalled. Account has been taken of the fact that work in this area will be significantly reduced and savings at steady-state have been estimated at £151,776.

Postage - system & manual: postage costs will reduce and savings have been calculated on the basis of 1 girocheque per envelope @ 25p per envelope. This represents steady-state savings of £19,818,772.

Stationery: the need for manual stop & recall notices will diminish during roll-out and eventually disappear providing steady-state savings of £5,524 per annum.

BA and SSANI District Savings: Volumes and unit costs have been updated using WUTs provided by SRU. Staff savings have been calculated on the basis that some work processes will change with others disappearing following the introduction of Card payments.

Steady-state staff savings of £26.3m have been calculated. Calculations and methodologies have been discussed with SRU.

Fraud Staff: savings have been calculated on the basis that if BA/POCL was successful in removing 90% of IOP fraud, 310 Sector Fraud and 90 Organised Fraud staff, currently engaged in the investigation of IOP fraud, would be surplus and therefore realisable.

The method of calculation adopts the principles used in the appraisal of other anti-fraud measures, and has the backing of BA Investment Appraisal.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**Other Contract Savings

POGAB's contract negotiations with the GIROBANK have identified an estimated saving of £53.4m in steady state as the usage of giros for benefit payment diminishes. To this has been added the increased costs of the renegotiated Contract A. to give savings of £24.5m at the end of contract.

Programme SavingsOrder Books:

Data now available from ESNS on stop notice activity appears to offer a more accurate basis for calculation of volumes and values of order-books at risk. The national 'at risk' amount has been estimated at £187.7m. The difference between volume/value of order-books on which a stop notice is issued and the ones actually returned has been used to calculate the volume/value of the total amount at risk. It is further assumed that probably only 25% of this at risk amount is likely to be fraudulently cashed. The benefit payment card is estimated to capture 90% of this likely at risk amount; £168.9 in steady state. A fuller explanation of the methodology used to calculate the 'at risk' amount is contained in the business case submitted by IOP Security. The new methodology has been approved by BA Resources.

The SAFFE exercise due to be undertaken shortly will help to further refine the baseline for the encashment figure of at riskfoils.

The OBCS option will bring forward the savings achievable in the PES years but, has cost implications which are under consideration.

Girocheques: as part of the reconciliation process, a record is made of the value of Girocheques known to have been fraudulently encashed. This data has been used to calculate the anticipated saving from the prevention of Girocheque fraud.

Items peculiar to SSANI

Staff: separate Child Benefit provision from Mainland. Anticipates that steady-state staff savings will be in the region of £185,000 per annum.

BENEFIT PAYMENT APPLICATION
BUSINESS CASECommercial in
Confidence

KEY FACTS ABOUT BENEFITS 1995

BENEFIT TYPE	NUMBER OF BENEFICIARIES	NUMBER PAID BY ORDER BOOK OR GIROCHEQUE (1000s)	% OF TOTAL O/B CUSTOMERS	% OF TOTAL CUSTOMERS
ATTENDANCE ALLOWANCE	131	43	0.18	0.43
CHILD BENEFIT	6965	5167	21.94	23.12
DISABILITY WORKING ALLOWANCE	4	3	0.01	0.01
DISABILITY LIVING ALLOWANCE	1491	949	4.03	4.94
FAMILY CREDIT	556	443	1.88	1.84
INDUSTRIAL INJURIES DISABLEMENT BEN	243	243	1.03	0.81
INDUSTRIAL DEATH BENEFIT	21	19	0.08	0.08
INVALID CARE ALLOWANCE	285	285	1.21	0.96
INVALIDITY BENEFIT	1948	1841	7.82	6.46
SICKNESS BENEFIT				
INCOME SUPPORT	5879	5734	24.35	19.52
RETIREMENT PENSION	9932	6460	27.43	32.97
WIDOWS PENSION				
UNEMPLOYMENT BENEFIT	2400	2196	9.34	7.97
WAR PENSIONS	267	164	0.70	0.89

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****ANNEX B****VOLUMES**

ITEM	VOLUME
Post Offices	19,594
Counters	38,943
Single position PO	9,157
Multi position PO	10,437
Post Office Counter Staff	14,514
excludes agents+their assts.	
OB foreign encashments	56,220,000
Encashments at nominated office	880,780,000
Encashments by agent	121,810,000
BA District staff	40,561
District Offices	155
Stop notices	500,000
Order books produced	56.72m
Girocheques produced	87m

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****ANNEX SEVEN****SENSITIVITY ANALYSIS**

TENDER : DICK

SCENARIOS ANALYSED:

	Risk Area	Risk Item	Increase/ Decrease	% Change	Notes	Text Xref
1	Costs	PFI Service Provider charges	Increase	+5%	Increase in Scorecard Prices	7.16.7
2	Costs	PFI Service Provider charges	Increase	+10%	Increase in Scorecard Prices	7.16.7
3	Costs	BA admin costs (all items)	Increase	+15%	Increase in BA internal costs associated with new procedures	7.16.3
4	Savings	Admin savings (all time)	Decrease	-10%	Decrease in total admin savings	7.16.3
5	Savings	Programme savings (all items)	Decrease	-10%	Decrease in total Programme savings	7.16.4
6	Savings	Programme savings (all items)	Increase	+10%	Increase in total Programme savings	7.16.5
7	Savings	Programme savings (all items)	Decrease	-20%	System is less effective as time passes, being 20% less effective by end of contract.	7.16.4
8	Timescale	CAPS timetable delayed 3 months	Decrease	see note	CAPS/card roll out delayed by 3 months	7.16.1

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BAPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY										
1										
2	Tender: DICK									
3	Version Number: bc132v28.3se									
4	Financial Year									
5	SENSITIVITY BASELINE									
6										
7										
8	COSTS									
9										
10	Staff	0.72	3.40	5.87	17.59	37.40	37.11	37.11	37.11	37.11
11	Non Staff without OBSC	0.03	0.58	7.89	30.85	98.52	116.05	112.00	107.82	98.61
12	DIFR	0.38	0.21	0.10	0.10	0.00	0.00	0.00	0.00	0.00
13	Capital	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Non Staff with OBSC	0.03	0.56	9.12	45.42	105.99	116.29	112.00	107.82	98.61
15										
16	TOTAL COSTS [Excluding VAT]	1.13	4.20	13.86	48.54	136.02	153.17	149.12	144.93	135.72
17	TOTAL COSTS with OBSC [Excluding VAT]	1.13	4.20	15.09	63.10	143.49	153.40	149.12	144.93	135.72
18										
19	Total VAT for Funding	0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26
20	Total VAT for Funding with OBSC	0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26
21										
22										
23										
24	SAVINGS									
25										
26	Administrative	0.00	0.00	0.09	7.00	15.00	15.00	15.00	15.00	15.00
27	Actual DIFR	0.00	0.00	1.65	22.80	108.86	152.83	155.85	156.02	156.33
28	Actual Non DIFR	0.00	0.00	1.74	29.80	123.86	167.83	170.85	171.02	171.33
29	Total administrative savings	0.00	0.00							
30										
31										
32	Programme	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44
33	All Programme savings	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44
34	All Programme savings with OBSC	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44
35	Total Programme savings	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44
36	Total Programme savings with OBSC	0.00	0.00	51.06	93.09	303.57	364.27	367.29	367.46	367.77
37	TOTAL SAVINGS	0.00	0.00	54.29	141.35	307.95	364.27	367.29	367.46	367.77
38	TOTAL SAVINGS with OBSC	0.00	0.00							
39										
40										
41										
42										
43										
44										
45										
46										
47										
48										
49										

A		B	C	D	E	F	G	H	I	J	K
		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
50	TOTALS										
51											
52											
53	COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.12	18.74	12.16	-14.67	-21.73	-26.09	-35.61	-42.59
54											
55	COSTS with OBCS LESS ADMIN SAVINGS	1.13	4.20	13.34	33.30	19.63	-14.44	-21.73	-26.09	-35.61	-42.59
56											
57	COSTS LESS TOTAL SAVINGS	1.13	4.20	-37.20	-44.55	-167.55	-211.11	-218.17	-222.53	-232.05	-239.03
58	Cumulative	1.13	5.33	-31.87	-76.42	-243.98	-455.08	-673.26	-895.78	-1127.83	-1366.87
59	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
60	Discounted	1.13	4.20	-35.10	-39.65	-140.68	-167.22	-163.04	-156.88	-154.34	-149.97
61	NPV	0.00	0.00	-35.10	-74.75	-215.42	-382.64	-545.68	-702.56	-856.90	-1006.87
62											
63											
64											
65											
66											
67											
68											
69											
70											
71	COSTS LESS TOTAL SAVINGS with OBCS	1.13	4.20	-39.21	-78.25	-164.46	-210.88	-218.17	-222.53	-232.05	-239.03
72	Cumulative	1.13	5.33	-33.88	-112.12	-276.58	-487.46	-705.63	-928.16	-1160.21	-1399.24
73	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
74	Discounted	1.13	4.20	-36.99	-69.64	-138.08	-167.03	-163.04	-156.88	-154.34	-149.97
75	NPV	0.00	0.00	-36.99	-106.63	-244.71	-411.74	-574.78	-731.66	-886.00	-1035.97

Created: 26.4.96:

2 Summary (£ Millions)

BAPOCL Programme

A										
BAPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY										
1	Tender: DICK									
2	Version Number: bc132v28.s1									
3	SENSITIVITY SUMMARY (£ Millions)									
4	Financial Year									
5	1. PFI SERVICE PROVIDER CHARGES	Sunk costs	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2
6	INCREASE + 5%									
7										
8	COSTS									
9										
10	Staff	0.72	3.40		5.91	17.69	37.68	37.41	37.41	37.41
11	Non Staff without OBOS	0.03	0.56		7.89	31.97	103.13	121.85	117.60	113.21
12	DIFR	0.38	0.21		0.10	0.10	0.00	0.00	0.00	0.00
13	Capital	0.00	0.03		0.00	0.00	0.00	0.00	0.00	0.00
14	Non Staff with OBOS	0.03	0.56		9.16	47.06	110.91	122.09	117.60	113.21
15										
16										
17	TOTAL COSTS (Excluding VAT)	1.13	4.20		13.90	49.77	140.91	159.26	155.02	150.82
18	TOTAL COSTS with OBOS (Excluding VAT)	1.13	4.20		15.16	64.85	148.69	159.51	155.02	150.62
19										
20										
21	Total VAT for Funding	0.12	0.31		0.34	4.41	16.96	21.30	20.58	19.81
22	Total VAT for Funding with OBOS	0.12	0.31		0.41	5.13	17.19	21.30	20.58	19.81
23										
24	SAVINGS									
25										
26	Administrative									
27	Actual DIFR	0.00	0.00		0.09	7.00	15.00	15.00	15.00	15.00
28	Actual Non DIFR	0.00	0.00		1.65	22.80	108.86	152.83	155.85	156.02
29										
30	Total administrative savings	0.00	0.00		1.74	29.80	123.86	167.83	170.85	171.02
31										
32										
33	Programme									
34	All Programme savings	0.00	0.00		49.32	63.29	179.71	196.44	196.44	196.44
35	All Programme savings with OBOS	0.00	0.00		52.55	111.55	184.09	196.44	196.44	196.44
36										
37	Total Programme savings	0.00	0.00		49.32	63.29	179.71	196.44	196.44	196.44
38	Total Programme savings with OBOS	0.00	0.00		52.55	111.55	184.09	196.44	196.44	196.44
39										
40										
41										
42										
43	TOTAL SAVINGS	0.00	0.00		51.06	93.09	303.57	364.27	367.29	367.46
44	TOTAL SAVINGS with OBOS	0.00	0.00		54.29	141.35	307.95	364.27	367.29	367.46
45										
46										
47										
48										
49										

	A	B	C	D	E	F	G	H	I	J	K
50		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
51	TOTALS										
52											
53	COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.15	19.97	17.05	-8.57	-15.83	-20.40	-30.38	-37.70
54											
55	COSTS with OBSC LESS ADMIN SAVINGS	1.13	4.20	13.42	35.05	24.83	-8.33	-15.83	-20.40	-30.38	-37.70
56											
57	COSTS LESS TOTAL SAVINGS	1.13	4.20	-37.17	-43.32	-162.66	-205.01	-212.27	-216.84	-226.82	-234.14
58	Cumulative	1.13	5.33	-31.84	-75.16	-237.82	-442.83	-655.10	-871.94	-1098.75	-1332.89
59	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
60	Discounted	1.13	4.20	-35.06	-38.56	-136.57	-162.39	-158.53	-152.87	-150.86	-146.90
61	NPV	0.00	0.00	-35.06	-73.62	-210.19	-372.58	-531.21	-684.08	-834.93	-981.83
62											
63											
64											
65											
66											
67											
68											
69											
70											
71	COSTS LESS TOTAL SAVINGS with OBSC	1.13	4.20	-39.13	-76.50	-159.26	-204.77	-212.27	-216.84	-226.82	-234.14
72	Cumulative	1.13	5.33	-33.80	-110.30	-269.55	-474.32	-686.59	-903.43	-1130.25	-1364.39
73	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
74	Discounted	1.13	4.20	-36.91	-68.08	-133.71	-162.20	-158.63	-152.87	-150.86	-146.90
75	NPV	0.00	0.00	-36.91	-105.00	-238.71	-400.90	-559.54	-712.41	-863.26	-1010.16

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	B	C	D	E	F	G	H	I	J	K
1	BAPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY									
2	Tender: DICK									
3	SENSITIVITY SUMMARY (£ Millions)									
	Version Number: bc132v28.s2									
4	Financial Year									
5	2. PF1 SERVICE PROVIDER CHARGES	Sunk costs	94/5	95/6	PES years	96/7	97/8	98/9	Contract Years	
6	INCREASE + 10%								99/0	00/1
7									01/2	02/3
8	COSTS									03/4
9										
10	Staff	0.72	3.40	5.98	17.92	38.27			38.04	38.04
11	Non Staff without OBSCS	0.03	0.56	7.89	33.09	107.75			129.36	129.36
12	DIFR	0.38	0.21	0.10	0.10	0.10			0.00	0.00
13	Capital	0.00	0.03	0.00	0.00	0.00			0.00	0.00
14	Non Staff with OBSCS	0.03	0.56	9.24	50.51	121.25			134.29	134.29
15									129.36	129.36
16									124.53	124.53
17	TOTAL COSTS [Excluding VAT]	1.13	4.20	13.97	51.11	146.11			165.69	167.41
18									162.57	162.57
19	TOTAL COSTS with OBSCS [Excluding VAT]	1.13	4.20	15.33	68.53	159.62			172.33	167.41
20									162.57	162.57
21	Total VAT for Funding	0.12	0.31	0.34	4.60	17.77			22.32	22.64
22	Total VAT for Funding with OBSCS	0.12	0.31	0.41	5.32	17.99			22.32	22.64
23									21.79	21.79
24	SAVINGS									
25										
26	Administrative									
27	Actual DIFR	0.00	0.00	0.09	7.00	15.00			15.00	15.00
28	Actual Non DIFR	0.00	0.00	1.65	22.80	108.86			152.83	155.85
29									167.83	170.85
30	Total administrative savings	0.00	0.00	1.74	29.80	123.86			171.02	171.33
31										
32	Programme									
33	All Programme savings	0.00	0.00	49.32	63.29	179.71			196.44	196.44
34	Actual DIFR	0.00	0.00	52.55	111.55	184.09			196.44	196.44
35	Actual Non DIFR	0.00	0.00	49.32	63.29	179.71			196.44	196.44
36	Total Programme savings	0.00	0.00	52.55	111.55	184.09			196.44	196.44
37	Total Programme savings with OBSCS	0.00	0.00	51.06	93.09	303.57			364.27	367.46
38									367.46	367.46
39	Total savings with OBSCS	0.00	0.00	54.29	141.35	307.95			364.27	367.46
40									367.46	367.46
41										
42	TOTAL SAVINGS	0.00	0.00	51.06	93.09	303.57			364.27	367.46
43									367.46	367.46
44	TOTAL SAVINGS with OBSCS	0.00	0.00	54.29	141.35	307.95			364.27	367.46
45									367.46	367.46
46										
47										
48										
49										

	A	B	C	D	E	F	G	H	I	J	K
		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
50	TOTALS										
51											
52											
53	COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.23	21.31	22.25	-2.14	-3.44	-8.44	-19.39	-27.42
54											
55	COSTS with OBCS LESS ADMIN SAVINGS	1.13	4.20	13.59	38.73	35.76	4.50	-3.44	-8.44	-19.39	-27.42
56											
57	COSTS LESS TOTAL SAVINGS	1.13	4.20	-37.09	-41.37	-157.46	-198.58	-199.88	-204.88	-215.83	-223.86
58	Cumulative	1.13	5.33	-31.76	-73.73	-231.19	-429.78	-629.66	-834.54	-1050.38	-1274.24
59	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8386	0.7921	0.7473	0.7050	0.6651	0.6274
60	Discounted	1.13	4.20	-34.99	-37.35	-132.20	-157.30	-148.37	-144.44	-143.55	-140.45
61	NPV	0.00	0.00	-34.99	-72.35	-204.55	-361.85	-511.22	-655.66	-799.21	-939.68
62											
63	COSTS LESS TOTAL SAVINGS with OBCS	1.13	4.20	-38.96	-72.82	-148.33	-191.94	-199.88	-204.88	-215.83	-223.86
64	Cumulative	1.13	5.33	-33.64	-106.46	-254.79	-446.73	-646.61	-851.49	-1057.33	-1291.19
65	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8386	0.7921	0.7473	0.7050	0.6651	0.6274
66	Discounted	1.13	4.20	-36.76	-84.81	-124.54	-152.04	-149.37	-144.44	-143.55	-140.45
67	NPV	0.00	0.00	-36.76	-101.57	-226.11	-378.14	-527.52	-671.96	-815.51	-955.96

A											
	B	C	D	E	F	G	H	I	J	K	
1	BAIPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY										
2	Tender: DICK										
3	SENSITIVITY SUMMARY (£ Millions)										
4	Version Number: bc132v28.s3										
Financial Year											
5	3. BA ADMINISTRATIVE COSTS			PES years			Contract Years				
6	INCREASE + 15%			94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2
7											03/4
8	COSTS										
9											
10	Staff	0.72	3.40	6.15	19.60	42.67	42.57	42.57	42.57	42.57	42.57
11	Non Staff without OBSCS	0.03	0.56	7.89	30.85	98.52	116.07	112.00	107.82	98.61	91.91
12	DIFR	0.38	0.21	0.10	0.10	0.10	0.00	0.00	0.00	0.00	0.00
13	Capital	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Non Staff with OBSCS	0.03	0.56	9.12	45.42	105.99	116.31	112.00	107.82	98.61	91.91
15											
16											
17	TOTAL COSTS [Excluding VAT]	1.13	4.20	14.14	50.56	141.29	158.64	154.57	150.39	141.18	134.48
18											
19	TOTAL COSTS with OBSCS [Excluding VAT]	1.13	4.20	15.36	65.12	148.76	159.87	154.57	150.39	141.18	134.48
20											
21	Total VAT for Funding	0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26	16.08
22	Total VAT for Funding with OBSCS	0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26	16.08
23											
24	SAVINGS										
25											
26	Administrative										
27	Actual DIFR	0.00	0.00	0.09	7.00	15.00	15.00	15.00	15.00	15.00	15.00
28	Actual Non DIFR	0.00	0.00	1.65	22.80	108.86	152.83	155.85	156.02	156.33	156.62
29											
30	Total administrative savings	0.00	0.00	1.74	29.80	123.86	167.83	170.85	171.02	171.33	171.62
31											
32											
33	Programme										
34	All Programme savings	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44	196.44
35	Actual DIFR	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44	196.44
36	Actual Non DIFR	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44	196.44
37	Total Programme savings with OBSCS	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44	196.44
38											
39	Total Programme savings with OBSCS	0.00	0.00	51.06	93.09	303.57	364.27	367.29	367.46	367.77	368.06
40											
41											
42											
43	TOTAL SAVINGS	0.00	0.00	51.06	93.09	303.57	364.27	367.29	367.46	367.77	368.06
44											
45	TOTAL SAVINGS with OBSCS	0.00	0.00	54.29	141.35	307.95	364.27	367.29	367.46	367.77	368.06
46											
47											
48											
49											

A												
	B	C	D	E	F	G	H	I	J	K		
50 TOTALS	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4		
51												
52 COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.39	20.76	17.43	-9.19	-16.28	-20.63	-30.15	-37.14		
53 COSTS WITH OBCS LESS ADMIN SAVINGS	1.13	4.20	13.62	35.32	24.90	-8.96	-16.28	-20.63	-30.15	-37.14		
54												
55 COSTS LESS TOTAL SAVINGS	1.13	4.20	-36.93	-42.53	-162.28	-205.83	-212.72	-217.07	-226.59	-233.58		
56 Cumulative	1.13	5.33	-31.60	-74.13	-236.41	-442.05	-654.76	-871.83	-1098.43	-1332.00		
57 Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274		
58 Discounted	1.13	4.20	-34.84	-37.85	-136.25	-162.88	-156.96	-153.03	-150.71	-146.55		
59 NPV	0.00	0.00	-34.84	-72.69	-208.94	-371.83	-530.79	-683.82	-834.53	-981.08		
60												
61 COSTS LESS TOTAL SAVINGS WITH OBCS	1.13	4.20	-38.93	-76.23	-159.19	-205.40	-212.72	-217.07	-226.59	-233.58		
62 Cumulative	1.13	5.33	-33.60	-109.83	-269.02	-474.42	-687.14	-904.21	-1130.80	-1354.38		
63 Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274		
64 Discounted	1.13	4.20	-36.73	-67.85	-133.66	-162.70	-156.96	-153.03	-150.71	-146.55		
65 NPV	0.00	0.00	-36.73	-104.57	-238.23	-400.93	-559.89	-712.92	-863.63	-1010.16		

	A	B	C	D	E	F	G	H	I	J	K
1	BA/POCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY										
2	Tender: DICK										
3	Version Number: bc132v28.s4										
4	SENSITIVITY SUMMARY (£ Millions)										
							Financial Year				
5	4. ADMINISTRATIVE SAVINGS	Sunk costs	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
6	DECREASE - 10%	94/5									
7											
8	COSTS										
9											
10	Staff	0.72	3.40	5.87	17.59	37.40	37.11	37.11	37.11	37.11	37.11
11	Non Staff without OBCS	0.03	0.56	7.89	30.85	98.52	116.05	112.00	107.82	98.61	91.91
12	DIFR	0.38	0.21	0.10	0.10	0.10	0.00	0.00	0.00	0.00	0.00
13	Capital	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Non Staff with OBCS	0.03	0.56	9.12	45.42	105.99	116.29	112.00	107.82	98.61	91.91
15											
16											
17	TOTAL COSTS [Excluding VAT]	1.13	4.20	13.86	48.54	136.02	153.17	149.12	144.93	135.72	129.02
18											
19	TOTAL COSTS with OBCS [Excluding VAT]	1.13	4.20	15.09	63.10	143.49	153.40	149.12	144.93	135.72	129.02
20											
21	Total VAT for Funding	0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26	16.08
22	Total VAT for Funding with OBCS	0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26	16.08
23											
24	SAVINGS										
25											
26	Administrative										
27	Actual DIFR	0.00	0.00	0.08	6.30	13.50	13.50	13.50	13.50	13.50	13.50
28	Actual Non DIFR	0.00	0.00	1.49	20.52	97.97	137.55	140.26	140.42	140.69	140.96
29											
30	Total administrative savings	0.00	0.00	1.57	26.82	111.47	151.05	153.76	153.92	154.19	154.46
31											
32											
33	Programme										
34											
35	All Programme savings	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44	196.44
36											
37	All Programme savings with OBCS	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44	196.44
38											
39	Total Programme savings	0.00	0.00	49.32	63.29	179.71	196.44	196.44	196.44	196.44	196.44
40											
41	Total Programme savings with OBCS	0.00	0.00	52.55	111.55	184.09	196.44	196.44	196.44	196.44	196.44
42											
43											
44	TOTAL SAVINGS	0.00	0.00	50.89	90.11	291.19	347.49	350.20	350.36	350.63	350.90
45											
46	TOTAL SAVINGS with OBCS	0.00	0.00	54.12	138.37	295.56	347.49	350.20	350.36	350.63	350.90
47											
48											
49											

A		B	C	D	E	F	G	H	I	J	K
		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
50	TOTALS										
51		1.13	4.20	12.29	21.72	24.55	2.12	-4.65	-8.99	-18.48	-25.43
52	COSTS LESS ADMINISTRATIVE SAVINGS										
53		1.13	4.20	12.29	21.72	24.55	2.12	-4.65	-8.99	-18.48	-25.43
54	COSTS with OBSCS LESS ADMIN SAVINGS										
55		1.13	4.20	13.52	36.28	32.02	2.35	-4.65	-8.99	-18.48	-25.43
56	COSTS LESS TOTAL SAVINGS										
66	Cumulative	1.13	4.20	-37.03	-41.57	-155.17	-194.32	-201.09	-205.43	-214.92	-221.87
67	Discount Rate (6%)	1.13	5.33	-31.70	-73.27	-228.44	-422.76	-623.85	-829.27	-1044.19	-1266.06
68	Discounted	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
69	NPV	1.13	4.20	-34.93	-37.00	-130.28	-153.92	-150.27	-144.82	-142.94	-139.20
76		0.00	0.00	-34.93	-71.93	-202.21	-356.13	-508.41	-651.23	-794.17	-933.37
77	COSTS LESS TOTAL SAVINGS with OBSCS										
78	Cumulative	1.13	4.20	-39.03	-75.27	-152.07	-194.09	-201.09	-205.43	-214.92	-221.87
79	Discount Rate (6%)	1.13	5.33	-33.70	-108.97	-281.04	-455.14	-656.22	-861.65	-1076.57	-1298.44
80	Discounted	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
81	NPV	1.13	4.20	-36.82	-66.99	-127.68	-153.74	-150.27	-144.82	-142.94	-139.20
		0.00	0.00	-36.82	-103.81	-231.49	-385.23	-535.51	-680.33	-823.27	-962.47

BAIPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY												
A		B	C	D	E	F	G	H	I	J	K	
Tender:		DICK										
SENSITIVITY SUMMARY (£ Millions)		Version Number: bc132v28.s5										
Financial Year												
5	5. PROGRAMME SAVINGS	Sunk costs		PES years			Contract Years					
6	DECREASE - 10%	94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4	
7												
8	COSTS											
9												
10	Staff	0.72	3.40	5.87	17.59	37.40	37.11	37.11	37.11	37.11	37.11	
11	Non Staff without OBCS	0.03	0.56	7.89	30.85	98.52	116.05	112.00	107.82	98.61	91.91	
12	DIFR	0.38	0.21	0.10	0.10	0.10	0.00	0.00	0.00	0.00	0.00	
13	Capital	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
14	Non Staff with OBCS	0.03	0.56	9.12	45.42	105.99	116.29	112.00	107.82	98.61	91.91	
15												
16	TOTAL COSTS [Excluding VAT]	1.13	4.20	13.86	48.54	136.02	153.17	149.12	144.93	135.72	129.02	
17												
18	TOTAL COSTS with OBCS [Excluding VAT]	1.13	4.20	15.09	63.10	143.49	153.40	149.12	144.93	135.72	129.02	
19												
20												
21	Total VAT for Funding	0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26	16.08	
22	Total VAT for Funding with OBCS	0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26	16.08	
23												
24	SAVINGS											
25												
26	Administrative											
27	Actual DIFR	0.00	0.00	0.09	7.00	15.00	15.00	15.00	15.00	15.00	15.00	
28	Actual Non DIFR	0.00	0.00	1.65	22.80	108.86	152.83	155.85	156.02	158.33	156.62	
29		0.00	0.00	1.74	29.80	123.86	167.83	170.85	171.02	171.33	171.62	
30	Total administrative savings											
31												
32												
33	Programme											
34	All Programme savings	0.00	0.00	44.39	56.96	161.74	176.80	176.80	176.80	176.80	176.80	
35	All Programme savings with OBCS	0.00	0.00	47.29	100.40	165.68	176.80	176.80	176.80	176.80	176.80	
36												
37	Total Programme savings	0.00	0.00	44.39	56.96	161.74	176.80	176.80	176.80	176.80	176.80	
38	Total Programme savings with OBCS	0.00	0.00	47.29	100.40	165.68	176.80	176.80	176.80	176.80	176.80	
39												
40												
41												
42	Total Programme savings with OBCS	0.00	0.00	47.29	100.40	165.68	176.80	176.80	176.80	176.80	176.80	
43												
44												
45	TOTAL SAVINGS	0.00	0.00	46.13	86.76	285.60	344.63	347.64	347.81	348.12	348.41	
46	TOTAL SAVINGS with OBCS	0.00	0.00	49.04	130.20	289.54	344.63	347.64	347.81	348.12	348.41	
47												
48												
49												

	A	B	C	D	E	F	G	H	I	J	K
		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
50	TOTALS										
51		1.13	4.20	12.12	18.74	12.16	-14.57	-21.73	-26.09	-35.51	-42.59
52	COSTS LESS ADMINISTRATIVE SAVINGS										
53		1.13	4.20	13.34	33.30	19.63	-14.44	-21.73	-26.09	-35.51	-42.59
54	COSTS with OBCS LESS ADMIN SAVINGS										
55		1.13	4.20	-32.27	-38.22	-149.58	-191.46	-198.53	-202.88	-212.40	-219.39
56	COSTS LESS TOTAL SAVINGS										
57	Cumulative	1.13	5.33	-26.94	-65.16	-214.74	-406.21	-604.74	-807.62	-1020.02	-1239.41
58	Discount Rate (6%)	1.000	1.000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
59	Discounted	1.13	4.20	-30.44	-34.02	-125.59	-151.66	-148.36	-143.03	-141.27	-137.65
60	NPV	0.00	0.00	-30.44	-64.46	-190.05	-341.71	-490.07	-633.10	-774.37	-912.02
61											
62											
63											
64											
65											
66											
67											
68											
69											
70											
71											
72											
73											
74											
75											
76											
77	COSTS LESS TOTAL SAVINGS with OBCS	1.13	4.20	-33.85	-67.09	-146.05	-191.23	-198.53	-202.88	-212.40	-219.39
78	Cumulative	1.13	5.33	-28.62	-95.71	-241.77	-433.00	-631.53	-834.41	-1046.81	-1266.20
79	Discount Rate (6%)	1.000	1.000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
80	Discounted	1.13	4.20	-32.03	-59.71	-122.82	-151.47	-148.36	-143.03	-141.27	-137.65
81	NPV	0.00	0.00	-32.03	-91.74	-214.37	-365.84	-514.20	-657.23	-798.50	-936.15

A		B	C	D	E	F	G	H	I	J	K
BA/POOL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY											
1	Tender: DICK										
2	Version Number: bc132v28.s6										
3	SENSITIVITY SUMMARY (£ Millions)										
4	Financial Year										
5	6. PROGRAMME SAVINGS INCREASE + 10%	Sunk costs	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
6		94/5									
7	8 COSTS										
8											
9	10 Staff	0.72	3.40	5.87	17.59	37.40	37.11	37.11	37.11	37.11	37.11
10		0.03	0.56	7.89	30.85	98.52	116.05	112.00	107.82	98.61	91.91
11	12 DIFR	0.38	0.21	0.10	0.10	0.10	0.00	0.00	0.00	0.00	0.00
12		0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	14 Capital	0.03	0.56	9.12	45.42	105.99	116.29	112.00	107.82	98.61	91.91
14											
15	15 Non Staff with OBBS										
16											
17	17 TOTAL COSTS [Excluding VAT]	1.13	4.20	13.86	48.54	136.02	153.17	149.12	144.93	135.72	129.02
18		1.13	4.20	15.09	63.10	143.49	153.40	149.12	144.93	135.72	129.02
19	19 TOTAL COSTS with OBBS [Excluding VAT]										
20											
21	21 Total VAT for Funding	0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26	16.08
22		0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26	16.08
23	23 SAVINGS										
24											
25	25 Administrative										
26											
27	27 Actual DIFR	0.00	0.00	0.09	7.00	15.00	15.00	15.00	15.00	15.00	15.00
28		0.00	0.00	1.65	22.80	108.86	152.83	155.85	156.02	156.33	156.82
29	29 Actual Non DIFR										
30											
31	31 Total administrative savings	0.00	0.00	1.74	29.80	123.86	167.83	170.85	171.02	171.33	171.62
32											
33	33 Programme										
34											
35	35 All Programme savings	0.00	0.00	54.25	69.62	197.68	216.08	216.08	216.08	216.08	216.08
36		0.00	0.00	57.80	122.71	202.50	216.08	216.08	216.08	216.08	216.08
37	37 All Programme savings with OBBS	0.00	0.00	54.25	69.62	197.68	216.08	216.08	216.08	216.08	216.08
38		0.00	0.00	57.80	122.71	202.50	216.08	216.08	216.08	216.08	216.08
39	39 Total Programme savings	0.00	0.00	57.80	122.71	202.50	216.08	216.08	216.08	216.08	216.08
40		0.00	0.00	57.80	122.71	202.50	216.08	216.08	216.08	216.08	216.08
41	41 Total Programme savings with OBBS	0.00	0.00	57.80	122.71	202.50	216.08	216.08	216.08	216.08	216.08
42		0.00	0.00	57.80	122.71	202.50	216.08	216.08	216.08	216.08	216.08
43	43 TOTAL SAVINGS	0.00	0.00	55.99	99.42	321.54	383.92	386.93	387.10	387.41	387.70
44		0.00	0.00	59.55	152.51	326.36	383.92	386.93	387.10	387.41	387.70
45	45 TOTAL SAVINGS with OBBS	0.00	0.00	59.55	152.51	326.36	383.92	386.93	387.10	387.41	387.70
46		0.00	0.00	59.55	152.51	326.36	383.92	386.93	387.10	387.41	387.70

	A	B	C	D	E	F	G	H	I	J	K
50		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
51	TOTALS										
52											
53	COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.12	18.74	12.16	-14.67	-21.73	-26.09	-35.61	-42.59
54											
55	COSTS with OBCS LESS ADMIN SAVINGS	1.13	4.20	13.34	33.30	19.63	-14.44	-21.73	-26.09	-35.61	-42.59
64											
65	COSTS LESS TOTAL SAVINGS	1.13	4.20	-42.14	-50.88	-185.52	-230.75	-237.82	-242.17	-251.59	-258.68
66	Cumulative	1.13	5.33	-36.81	-87.68	-273.21	-503.96	-741.78	-983.95	-1235.54	-1494.32
67	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
68	Discounted	1.13	4.20	-39.75	-45.28	-155.77	-182.78	-177.72	-170.73	-167.40	-162.30
69	NPV	0.00	0.00	-39.75	-95.03	-240.80	-423.58	-601.30	-772.03	-939.43	-1101.72
76											
77	COSTS LESS TOTAL SAVINGS with OBCS	1.13	4.20	-44.46	-89.40	-182.87	-230.52	-237.82	-242.17	-251.59	-258.68
78	Cumulative	1.13	5.33	-39.13	-128.53	-311.40	-541.92	-779.74	-1021.91	-1273.60	-1532.28
79	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
80	Discounted	1.13	4.20	-41.94	-79.57	-153.54	-182.59	-177.72	-170.73	-167.40	-162.30
81	NPV	0.00	0.00	-41.94	-121.51	-276.05	-457.64	-635.36	-806.10	-973.50	-1135.79

BAPOCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY										
Version Number: bc132v28.s7										
Financial Year										
Contract Years										
PES years										
Sunk costs										
TO - 20% OVER LIFE OF CONTRACT										
COSTS										
Staff										
Non Staff without OBCS										
DIFR										
Capital										
Non Staff with OBCS										
TOTAL COSTS [Excluding VAT]										
TOTAL COSTS with OBCS [excluding VAT]										
Total VAT for Funding										
Total VAT for Funding with OBCS										
SAVINGS										
Administrative										
Actual DIFR										
Actual Non DIFR										
Total administrative savings										
Programme										
All Programme savings										
All Programme savings with OBCS										
Total Programme savings										
Total Programme savings with OBCS										
TOTAL SAVINGS										
TOTAL SAVINGS with OBCS										

	A	B	C	D	E	F	G	H	I	J	K
50		94/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
51	TOTALS										
52											
53	COSTS LESS ADMINISTRATIVE SAVINGS	1.13	4.20	12.12	18.74	12.16	-14.67	-21.73	-26.09	-35.61	-42.59
54											
55	COSTS with OBCS LESS ADMIN SAVINGS	1.13	4.20	13.34	33.30	19.63	-14.44	-21.73	-26.09	-35.61	-42.59
56											
57	COSTS LESS TOTAL SAVINGS	1.13	4.20	-37.20	-44.55	-161.56	-198.01	-198.53	-196.33	-199.31	-199.75
58	Cumulative	1.13	5.33	-31.87	-76.42	-237.99	-436.00	-634.53	-830.86	-1030.17	-1229.92
59	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
60	Discounted	1.13	4.20	-35.10	-39.65	-135.65	-156.84	-148.36	-138.42	-132.56	-125.32
61	NPV	0.00	0.00	-35.10	-74.75	-210.39	-367.24	-515.60	-654.02	-786.58	-911.90
62											
63	COSTS LESS TOTAL SAVINGS with OBCS	1.13	4.20	-39.21	-78.25	-158.32	-197.78	-198.53	-196.33	-199.31	-199.75
64	Cumulative	1.13	5.33	-33.88	-112.12	-270.45	-468.23	-666.76	-863.09	-1062.40	-1262.15
65	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
66	Discounted	1.13	4.20	-36.99	-69.64	-132.93	-156.66	-148.36	-138.42	-132.56	-125.32
67	NPV	0.00	0.00	-36.99	-106.63	-239.56	-396.22	-544.58	-682.99	-815.55	-940.88

A										
BA/POCL PROGRAMME INVESTMENT APPRAISAL - CAPS MIGRATION PROPOSAL 13.2.96 - SUMMARY										
1										
2	Tender: DICK									
3	Version Number: bc132v28.s8									
4	Financial Year									
5	8. CAPS TIMETABLE DELAYED BY									
6	3 MONTHS									
7										
8	COSTS									
9										
10	Staff	0.72	3.40	5.87	15.21	33.46	37.04	37.04	37.04	37.04
11	Non Staff without OBSC	0.03	0.56	7.89	30.85	98.52	116.05	112.00	107.82	98.61
12	DI/R	0.38	0.21	0.10	0.10	0.10	0.00	0.00	0.00	0.00
13	Capital	0.00	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	Non Staff with OBSC	0.03	0.56	9.12	45.42	105.99	116.29	112.00	107.82	98.61
15										
16										
17	TOTAL COSTS (Excluding VAT)	1.13	4.20	13.86	46.16	132.07	153.10	149.04	144.86	135.65
18	TOTAL COSTS with OBSC (Excluding VAT)	1.13	4.20	15.08	60.73	139.54	153.33	149.04	144.86	135.65
19										
20										
21	Total VAT for Funding	0.12	0.31	0.34	4.21	16.15	20.29	19.60	18.87	17.26
22	Total VAT for Funding with OBSC	0.12	0.31	0.41	4.93	16.38	20.29	19.60	18.87	17.26
23										
24	SAVINGS									
25										
26	Administrative									
27	Actual DI/R	0.00	0.00	0.09	7.00	15.00	15.00	15.00	15.00	15.00
28	Actual Non DI/R	0.00	0.00	1.65	18.13	96.76	148.85	155.54	155.71	156.02
29										
30	Total administrative savings	0.00	0.00	1.74	25.13	111.76	163.85	170.54	170.71	171.02
31										
32										
33	Programme									
34	All Programme savings	0.00	0.00	49.32	59.16	150.53	196.15	196.15	196.15	196.15
35	All Programme savings with OBSC	0.00	0.00	52.55	107.42	154.91	196.15	196.15	196.15	196.15
36										
37	Total Programme savings	0.00	0.00	49.32	59.16	150.53	196.15	196.15	196.15	196.15
38	Total Programme savings with OBSC	0.00	0.00	52.55	107.42	154.91	196.15	196.15	196.15	196.15
39										
40										
41	TOTAL SAVINGS	0.00	0.00	51.05	84.29	262.29	360.00	366.70	366.87	367.18
42	TOTAL SAVINGS with OBSC	0.00	0.00	54.28	132.55	266.67	360.00	366.70	366.87	367.18
43										
44										
45										
46										
47										
48										
49										

A		B	C	D	E	F	G	H	I	J	K
		84/5	95/6	96/7	97/8	98/9	99/0	00/1	01/2	02/3	03/4
50	TOTALS										
51		1.13	4.20	12.12	21.03	20.32	-10.75	-21.50	-25.85	-35.37	-42.36
52	COSTS LESS ADMINISTRATIVE SAVINGS										
53		1.13	4.20	12.12	21.03	20.32	-10.75	-21.50	-25.85	-35.37	-42.36
54	COSTS with OBCS LESS ADMIN SAVINGS										
55		1.13	4.20	13.35	35.59	27.79	-10.52	-21.50	-25.85	-35.37	-42.36
56	COSTS LESS TOTAL SAVINGS										
57	Cumulative	1.13	5.33	-37.20	-38.13	-130.22	-206.91	-217.65	-222.01	-231.53	-238.51
58	Discount Rate (6%)	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
59	Discounted	1.13	4.20	-35.09	-33.93	-109.33	-163.89	-162.65	-156.51	-153.99	-149.64
60	NPV	0.00	0.00	-35.09	-89.03	-178.36	-342.25	-504.90	-661.41	-815.40	-965.04
61	COSTS LESS TOTAL SAVINGS with OBCS										
62	Cumulative	1.13	4.20	-39.20	-71.83	-127.12	-206.67	-217.65	-222.01	-231.53	-238.51
63	Discount Rate (6%)	1.13	5.33	-33.87	-105.70	-232.82	-439.49	-657.15	-878.15	-1110.68	-1349.20
64	Discounted	1.0000	1.0000	0.9434	0.8900	0.8396	0.7921	0.7473	0.7050	0.6651	0.6274
65	NPV	1.13	4.20	-36.98	-63.93	-106.73	-163.71	-162.65	-156.51	-153.99	-149.64
66		0.00	0.00	-36.98	-100.91	-207.64	-371.35	-534.00	-690.51	-844.50	-994.15

Sensitivities Summary - Percentage Changes in Total Costs

		Transaction Volumes		
	Baseline	Benefit Transactions - High	Benefit Transactions - Low	Enrolment Rate - High
BA Charges	868,257,712	3.18%	-3.29%	0.00%
POCL Charges	430,846,245	-0.66%	0.68%	0.00%
Total Charges	1,359,103,957	1.78%	-1.85%	0.00%
		Enrolment Rate - Low		
		Cardholders - Increased	Cardholders - Decreased	No. of Cardholders and Payments - Increased
		5.56%	-2.79%	11.82%
		0.00%	0.00%	-1.33%
		3.53%	-1.77%	7.01%
		No. of Cardholders and Payments - Decreased		
		-5.08%	-0.68%	-3.62%
		POCL - Basic, Optional and Additional Transactions		
		-0.06%	-0.79%	0.25%
		POCL - Basic Transactions Only		
		0.79%	-9.91%	-3.12%

Sensitivities Summary - Percentage Changes in Total Costs (continued)

	Transaction Volumes		
BA Charges	666,257,712		
POCL Charges	490,846,245		
Total Charges	1,359,103,957		
Baseline			
POCL - Alternative View of Basic and Optional Only	0.58%	-7.60%	-2.41%
POCL - Alternative View of Basic, Optional and Additional Transactions	0.58%	-7.60%	-2.41%
POCL - Lowest Volumes Scenario	2.66%	-35.59%	-11.34%
POCL - Highest Volumes Scenario	-0.67%	8.76%	2.79%
BA and POCL Volumes - High	2.47%	8.02%	4.50%
BA and POCL Volumes - Low	-0.81%	-35.22%	-13.40%
Immediate Payments - High	0.17%	-0.02%	0.10%
Immediate Payments - Low	-0.17%	0.02%	-0.10%
Counter Positions - High	0.94%	2.20%	1.40%
Counter Positions - Low	-1.73%	-4.02%	-2.57%

Sensitivities Summary - Percentage Changes in Total Costs (continued)

		Benefit and Customer Behaviour		
	Baseline	Help Desk Enquiries - High	Help Desk Enquiries - Low	Foreign Encashment - High
BA Charges	888,257,712	0.00%	0.00%	0.12%
POCL Charges	490,846,245	0.00%	0.00%	-0.01%
Total Charges	1,359,103,957	0.00%	0.00%	0.08%
		Agents - High	Agents - Low	Permanent/Casual Mix - High
		0.04%	-0.04%	-0.38%
		0.00%	0.00%	0.00%
		0.02%	-0.02%	-0.24%
				0.43%
				0.00%
				0.27%
		Alternative Payees - High	Alternative Payees - Low	
		0.00%	0.00%	
		0.00%	0.00%	
		0.00%	0.00%	

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE**Commercial in
Confidence**ANNEX EIGHT****Programme Risks**

Risk	Unresolved CAPS Programme migration issues.
Background:	A number of imminent CAPS Programme migration issues require resolution: • scope, timing, and length of go-live for all Benefits; • the scope of the Operational Trial and • transitional issues associated with registration and payment of individual and multiple Benefits during implementation.
Countermeasure:	• CAPS have scheduled first card payment to take place on 23 September with first payment by the renewal cycle planned to start on 21 October 1996; • General Matching Service is to undertake a scan to identify the number of Child Benefit customers cashing benefit at each Post Office, including identifying alternative payees at the LGL offices; • Migration issues are being resolved by the Programme Authority and include SLAs as well as addressing the requirements of individual benefits prior to uplifting onto the system; • The Component Release Strategy which will provide a comprehensive view of both technical and business products required for the whole CAPS system, has now been baselined; • The Benefit Migration Template, which will provide a basis for individual benefit uplifts onto the new system, is currently being reviewed; • The Business Implementation Strand have finalised the BA District Rollout Strategy, and the District Rollout Schedule is being Quality Reviewed; • The CAPS Technical Implementation strand have agreed a scoping paper and plans for initial card payment in September.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****Risk** CAPS functional requirements not fully defined.**Background:**

CAPS business requirements may not all be fulfilled by the proposed Programme activity strands.

Countermeasure:

- Personal Details is now focusing on product delivery. This is a tactical as opposed to strategic solution which will allow payment and reconciliation as opposed to full benefits uplifts. Discussions with DITA are on-going;
- High level requirements are being mapped - i.e. baseline user requirements;
- Delivery of the personal details Stage for 31 May 1996 this is on course for a code drop to CAPS Implementation Testing (CIT) for integration testing on 31 May.

Risk Non-approval of Business Cases and failure to achieve Government endorsement.**Background:**

Four separate clearances are required for the Programme to proceed to Award Of Contract (AOC):

- 1.Approval of contract "A",
- 2.Approval of both Business Cases,
- 3.Evaluation decisions (i.e. risk transfer and POCL Partnership agreements)
- 4.The announcement process.

Impacting the above clearances are tight timescales, interdependencies and co-operation required from sponsors, officials outwith BA and POCL and senior Government Ministers.

Countermeasure:

- The BA Chief Executive and the POCL Managing Director have agreed all the necessary measures that need to be taken to make an announcement of the successful Service Provider in May;
- The DSS Secretary of State's Office have confirmed the announcement date of 15 May;
- A supporting timetable covering the route from ITT to First Card Payment has been produced;
- Agreement has been reached on pricing for Contract 'A', negotiation of the detailed schedules is ongoing;
- Financial SOAs will be presented to the Financial sub-committee on 30 April following the Evaluation Board's selection of the successful Service Provider. Business Case sign-off post-selection will be through HMT;
- Version 132.v27 of the Business Case was sent to the Financial Approval Sub-Committee of BASCIS on 10 April, and version 0.3 of the Treasury documents was sent to HMT on 9 April;

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

- The route for approval for the POCL Business Case has been determined. Technical, financial and operational concurrences support a financial case which goes to MaPEC;
- The Private Finance Unit have been provided with background briefing, including details of risk transfer, and asked for their comments on the degree of PFI compliance achieved.

Risk Failure of Service Providers proposals to match the business interpretation of the implementation requirements

Background:

- POCL have stated that they are not prepared to segment their network; equal functionality must be available in every office. This is a definitive POCL requirement;
- The potential inability of the Service Providers to meet the full functionality requirement for Day 1 (in particular EPOSS);
- High level requirements for Implementation and Roll-out leave the door open for ambiguity.

Countermeasure:

- Ambiguous requirements have undergone a clarification exercise through Procurement, and will be converted into schedules. Sponsors provided comments on re-drafted requirements on 19 April, but further clarification is on-going. Roll-out requirements will continue to be defined up to and following the AOC;
- The CAPS Component Release Strategy, which proposed the sequence for card ready benefits, provides a baseline for the benefit encashment service;
- The Secretary of State has sanctioned the proposed Benefit card ready sequence;
- The issue of the migration of existing kit has now been largely superseded by the impact of non-availability of EPOSS, which may require a by-passing of the ECCO+ offices;
- A positive result of the non-availability of EPOSS is likely to be a better quality, more robust system which has been subject to rigorous testing.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

Risk Inability to adequately test the successful Service Provider's solution

Background:

This composite risk has a number of facets - sponsors decision making (absence of), equipment availability, Human Resourcing, Service Provider identity, Technical Testing, Testing Schedule and political pressure.

Countermeasure:

- The first cut of the database outlining the contents of Implementation, including LGL, was presented to Andrew Stott on 29 March;
- A revised Interface Specification has now been issued to Service Providers by Robin O'Connor. Service Providers comments are awaited;
- Steps are in hand to appoint a substantive Test Centre Manager;
- The Test Team continue to seek to develop a good understanding of all the Service Providers solutions and plan against those solutions;
- The LGL which will provide the ability to pull-out if the system crashes due to not being adequately de-bugged;
- The contractor working on the Test Facility at SELDO completed on 26 April.

Risk Failure to announce a winner on 15 May

Background:

The risk has a number of facets:

- Failure to secure approval of BA and POCL Business Cases;
- Failure to get Contract 'A' agreed and approved;
- Procurement processes not achieved - there needs to be a definition of the processes to carry the Programme to Award of Contract. These processes include how winning and losing Service Providers will be informed of the selection decision and the signing of the Paving Contract;
- The scope of documentation to be included in the Paving Contract and its subsequent Quality Assurance prior to award;
- Announcement plan not achieved.

Countermeasure:

- Detailed planning for Stage 4 has been carried out;
- The Stage 4 Management Team has been established, weekly meetings are held to monitor progress to plan, and a system of exception reporting instituted;

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****Risk** Failure to achieve Limited Go-Live (LGL)**Background:**

Key factors include:

- Insufficient definition of requirements;
- Inadequate definition of the testing environment;
- A shortfall in testing;
- Tight timescales between the return of bids (21 March) and First Card Payment (23 September);
- Availability of suitable communication lines and adaptability of the selected Post Offices for the installation of communication lines.

Countermeasure:

- The feasibility study revealed, in January, that all Service Providers considered LGL a viable option;
- A decision has now been made to establish a Joint Implementation Team with CAPS;
- Meetings between the Programme and the Service Providers were held on 22 and 25 March in order to determine Service Providers plans and integrate these with the testing plans, the LGL plans and the overall Implementation plan;
- The first cut of the Deliverables Catalogue database was delivered to the Programme Director on 29 March and is currently being progressed;
- The Testing Team will provide an early warning of any major difficulties.

Risk Litigation by Service Providers**Background:**

There are a number of issues spread across the lifespan of the Programme which could provide a source of litigation for Service Providers:

- **Demonstrator:** a significant amount of the evidence collected during the Demonstrator is invalidated by continuing requirement changes thereby undermining the basis for the evaluation decision;
- **Requirements:** late packaging of requirements do not provide Service Providers sufficient time to stabilise design strategies, thereby placing the onus on Service Providers to formulate new proposals within a tight timeframe, resulting in post-tender litigation;
- **Tender Innovation:** innovations permitted in tenders open the door to post-selection debate and protest;
- **Value Factors:** losing Service Providers use the interpretation of value factors to challenge the selection decision;

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence**

- *Probity*: discussions with Service Providers between ITT and Award of Contract (AOC) compromise Programme probity;
- *Award Delayed*: AOC delayed by failure to get Business Cases approved, failure to agree Contract "A" and failure to achieve Government endorsement;
- *Post-Award Functional Specification*: winning Service Providers functional specification, issued post-Award, may lead to a redefinition of requirements;
- *Failed Acceptance*: ambiguous requirements result in Sponsors rejection of Service Providers solutions. Winning Service Provider fails to agree to tests outwith individual requirements post-Award;
- *Contract Implementation*: vague requirements lead to subsequent difficulty in implementing the contract.

Countermeasure:

A number of countermeasure steps are being progressed:

- Procurement have established a single contact point within the Programme for all communications with Service Providers, thereby seeking to establish the integrity of the Programme;
- All evaluation has been conducted off-site in a secret location;
- The documentation in the evaluation and selection process and criteria has been delivered to and discussed with BA Audit;
- The evaluation and selection process provides a fully documented record to give assurance that there is no impropriety;
- Losers will need plausible reasons to be presented to them at the de-brief. These will be based on the deliberations of the Evaluation Board who will need to be satisfied at each step that all decisions on factors, weights etc are justifiable;
- Ambiguous requirements have undergone a clarification exercise through Procurement, and are being converted into schedules;
- Requirements will take precedence over the winning Service Provider's Functional Specification within the terms of the contract.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****ANNEX NINE****THE PROGRAMME STEERING COMMITTEE****Purpose:**

The programme steering committee manages the strategic decision making process. The purpose of the committee is to provide direction and guidance to the programme. It has ultimate project authority and is responsible for the monitoring, review and eventual closure of the project.

Membership:

Richard Dykes	POCL Co-chair
Peter Mathison	BA Co-chair
Brian Standen	Private Finance Initiative Executive
Garvin Bowen	DSS Policy
George McCorkell	BA
Rod Clark	DSS Finance
Pat Dugdale	BA/POCL Programme
Bob Peaple	POCL
David Riggs	BA Finance
Andrew Sheffield	DTI
Andrew Stott	BA/POCL Programme
Michael Swan	Treasury
Richard Wheelhouse	POCL
Alec Wylie	SSA (NI)
Secretary	

Meeting style and frequency:

- The Board meets bi-monthly, but receives a written report from the programme monthly.
- The secretary issue papers one week before the meeting. Minutes are taken and, following approval by the chair or nominated deputy, circulated within four working days.
- Standard agenda items include a review of financial performance, progress against the programme plan and communications.

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****Inputs, Outputs and Primary Customers.**

Inputs	Outputs	Primary customers
PSC report	Monitor progress, authorise the start of each stage and closure of the programme when successfully completed.	Ministers Programme Management Board and Team.
Programme Plan	Approval or amendment of Programme plans	Programme management Board
Issues referred from the Management Board, Management Team or other committees or boards	Strategic implications examined and action agreed.	Programme Management Board and Team

BENEFIT PAYMENT APPLICATION
BUSINESS CASECommercial in
Confidence

ANNEX TEN

THE PROCUREMENT BOARD

Purpose:

The Procurement Board supports the functions of the Joint Steering Committee and the Programme Director in so far as they relate to procurement. It gives guidance and direction on matters of procurement policy and probity on behalf of the Steering Committee. It achieves this by:

- providing professional oversight of the procurement process;
- ensuring suitable and adequate procurement resources are made available;
- ensuring procurement risk management and contingency planning is in place;
- ensuring stakeholder interests are represented and that there is communication back to them;
- ensuring professional assurance of BA/POCL procurement products going to the Programme Steering Committee, the POCL Automation Committee and the BA Sponsors Executive Committee.

NAME	SURNAME	TITLE
Derek	Brown	BA (joint Chair)
Ken	Davenport #	POGAB BA/POCL Commercial Manager
David	Ferguson	SSA Northern Ireland Director of Personnel, Planning & Information
Duncan	Hine	Director of Technology P.O.
Gordon	Kemp	DITA
Pat	Kelsey	BA/POCL
Steve	Kerss	Kermon Consultants
Bob	Peaple	POCL (joint Chair)
Jeff	Prince	Post Office Purchasing & Logistics Services
Don	Rendall	BA
Paul	Rich	POCL
Patrick	Sedgwick	BA/POCL
Derek	Selwood#	BA/POCL Programme
Alan	*Shepherd	Deputy Group IT Director
Andrew	Stott	BA/POCL Programme
	#Not a member but attending following mtgs	
	*Duncan Hine's Deputy.	

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE****Commercial in
Confidence****Outputs:**

• Approve the framework of the procurement process.
• Advice on the prioritisation of procurement issues and appropriate points of focus at different stages of the process.
• Approval of procurement policy issues within the framework of the Memorandum of Understanding.
• Establishing and reviewing negotiation parameters.
• Approval of the evaluation model for proposal shortlisting.
• Sign-off of the evaluation products.
• Recommend to the PSC the suppliers to be shortlisted.

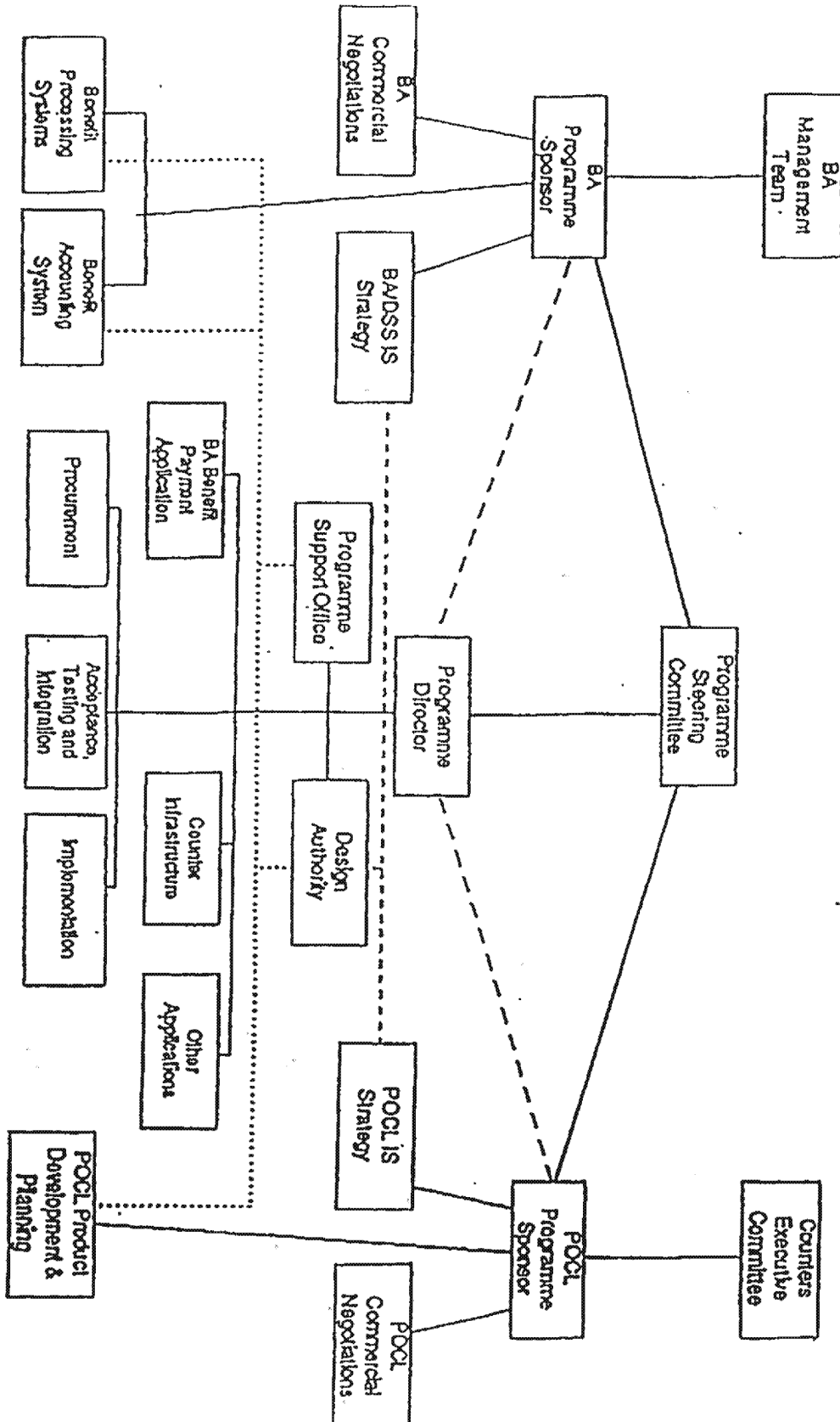
Evaluation Board

NAME	SURNAME	TITLE
Robert	Albright	BA/POCL
Derek	Brown	BA
David	Ferguson	SSA Northern Ireland Director of Personnel, Planning & Information
Duncan	Hine	Director of Technology P.O.
Gordon	Kemp	DITA
Pat	Kelsey	BA/POCL
Steve	Kerss	Kermon Consultants
Larry	McCaffery*	DITA - Senior Technical Architect
Bob	Peaple	POCL (Chair)
Jeff	Prince	Post Office Purchasing & Logistics Services
Don	Rendall	BA
Paul	Rich	POCL
Hamish	Sandison	Bird & Bird Solicitors
Patrick	Sedgwick	BA/POCL (secretary)
Derek	Selwood	BA/POCL Procurement
Alan	Shepherd	Deputy Group IT Director
Andrew	Stott	BA/POCL

**BENEFIT PAYMENT APPLICATION
BUSINESS CASE**

**Commercial in
Confidence**

ANNEX ELEVEN



**BENEFIT PAYMENT APPLICATION
BUSINESS CASE**

**Commercial in
Confidence**

ANNEX TWELVE



COMMERCIAL POLICY MOPS - POCL AUTOMATION CONTRACTS

1. To create Contract(s) which are awarded with due regard to probity, legal requirements and VFM.
2. To consider innovative solutions, against full risk analysis, where such solutions provide benefits to overall efficiency and will meet statutory requirements.
3. To produce contracts which in terms of both goods and services create security of supply, deliver quality products, maintain competitive pricing and for long term contracts have the capacity to deal with the costs of unforeseen changes through further competition or well defined and agreed pricing structures.
4. To avoid entering into contracts in which the subsequent and perceived excessive profits of suppliers would lead to unnecessarily high costs to the Agency (and would subject the Department to criticism from internal audit or the National Audit Office).
5. To maintain an effective cost limitation strategy for all contracts.
6. To facilitate good working relationships with all suppliers and seek to meet their needs, wherever possible, in a helpful and constructive way.
7. To pay for agreed and accepted services/goods timeously.
8. For POGAB to develop its contractual involvement and formal role as each stage of the project develops so that

at all stages it is conversant with the requirements of users and has the capacity to influence requirements which have significant direct or indirect costs, in particular to ensure that the Project

