ICL Pathway

Bringing
Technology
to **Post Office**
Counters

Monthly
Progress
Report

iCL

June 1999

POH-398D

ICL Pathway	**Programme Monthly Report**	Ref:	PA/REP/039
		Version:	1.0
		Date:	15/07/99

Document Title: ICL Pathway Monthly Report - June 1999

Associated Documents:

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

Approval Authorities:

Name	Position	Signature	Date
J. H. Bennett	Managing Director		

ICL Pathway Monthly Progress Report

Contents:

Managing Director's Summary

Managing Director's Summary

PROGRAMME PROGRESS

- The decommissioning of the Benefit Payment Card Systems is now complete and this activity went exactly to timetable and closed down as we anticipated. In the final analysis we were able to show 100% reconciliation for every single payment made using the Payment Card from the period of first use of the service in September 1996, to the final payment at the end of June 1999. The only outstanding tasks are now to complete the accounting period summaries, to hand-over archive data and to invoice DSS for our work.

- Live Trial has continued with all 299 Post Office's across some 750 counter positions. The major issues arising are on weekly balancing and problems related to printing and screen freezes. A huge amount of effort has gone in from Pathway on all these topics over the last month, and the corrective action plan has been implemented.

- The software release LT2 was successfully implemented as planned during the weekend 10th-11th July, with go live across this live trial estate taking place on the 12th July. There were a number of issues surrounding software distribution and these are being followed up actively within Pathway. Much of this had little or no impact on the customer since we had contingency and fallback plans in place, which did allow the service to continue uninterrupted. This software release, amongst other things, contains many changes to improve weekly balancing and printing issues and those will now be tested for the first time on Wednesday 14th July and subsequent weeks.

- In addition to the 299 offices in Live Trial we will be adding a further new 24 Post Offices during week commencing 19th July. This group is there to check that all the changes we have made concerning balancing, training, documentation and printing have had the desired effect, and when introduced to brand new counter staff it does allow them to deal with their business processes without a repetition of the early difficulties. If following careful assessment this is successful it will pave the way to remove the critical high severity acceptance incidents.

- The month has seen incremental improvement in many of our operational procedures for the live estate and this does include Software Distribution, Help Desk liaison (between Pathway and the one within POCL) and the management of our sub-contract performance. These improvements are essential over time and must continue throughout the life of the contract.

- Pathway's internal plans for CSR+ have moved forward following the de-scoping of KMS allowed for by the removal of the BPC and therefore later phasing of future functionality. Nevertheless, we now have a number of critical POCL dependencies which they must sign off urgently. Without this the schedule date remains at risk.

- Reviews of OBCS scaling have been completed, and an agreed way forward is scheduled for final agreement during July which will confirm our capability to manage national load levels and our ability to give POCL confidence in this.

- Progress has been made in the 24-hour operational issue and by a revised counter reload strategy we are moving closer to an acceptable resolution of this with POCL.

CONTRACT CODIFICATION

- Very good progress has been made by the Commercial and Legal team in reaching the new Codified Contract which is scheduled for completion on the 16th July. Important meetings have taken place to resolve the final outstanding issues and this has been achieved to satisfaction of both parties and without the need to call upon the legal expert.

- The new Codified Contract will have all the important Agreements to Agreements incorporated and the vast majority of the outstanding CCN's signed-off. Nevertheless, there remains a final piece of work to be done and a number of CCN's to be cleared prior to the 16th July completion date. Following this the new agreement needs approval by the Post Office Main Board which meets on 19th July.

- Work on critical sub-contract termination has moved forward with sound progress being made with Girobank where a final resolution is in sight. Similar progress with De La Rue has yet to be obtained.

- Year-end accounts for ICL Pathway for 1998/99 are now ready for sign-off and will be presented to the ICL Pathway Board on Tuesday 20th July.

ACCEPTANCE

- All the formal reviews with POCL have now been completed and at this point all our management focus is now directed to the Acceptance Incident List (AI list). This has now grown to over 300 entries, many of which are low, quite a lot, which are closed but nevertheless the size increases day by day as POCL accelerate their activity in raising all incidents which they consider important.

- We now have a customer provided hot list of all incidents at medium or high and this currently stands at some 20 entries. A number of these really cluster together and most come from Live Trial experience and not surprisingly relate to the balancing, training, printing, screen freeze, Help Desk related issues. Nevertheless they all need to be addressed urgently and the resources on this are now being focused and increased.

- Considerable activity across Pathway has gone into AI 218 and AI 227 since these are the training and printer incidents which have lead to substantial changes in the software, large number of site visits, new training programmes, new documentation, new Quick User Guides. With LT2 now in the field we need to rapidly prove that sufficient improvement is in place. POCL have convened an Acceptance Board to manage this activity and John Dicks is the Pathway invited member.

- We have proposed a final resolution meeting on Acceptance for the 3rd week in August to be attended by POCL staff, Pathway staff and if necessary the technical expert to attempt to force through a single pass resolution of Acceptance. Work in this area continues to grow and involve more and more staff.

COST DOWN

- We have during the month closed down two development streams the first relating to the Benefit Payment Card, the second relating to Generic Products. This combined with reviews across the whole of Pathway have lead to a planned reduction of 68 posts to be effected by the end of 1999. This will however require careful discipline and management controls to ensure that there is no degradation from this task.

- Following the withdrawal of the Benefit Payment Card we have reviewed our hardware capacity in the two Data Centres for host systems. Once this review has been confirmed through Change Control we will be able to release a number of powerful Sequent processors and will determine how to best dispose of these.

- On the manpower resources front processes have been put in place to cease any further freelance recruitment into Pathway and to re-balance our resource profile between freelance community and permanent staff where this is sensible and meets our long term plans. Tighter control over all recruitment will be central to manage this and cope with the workload pressures, which remain high.

- Manpower plans are being reviewed across all parts of Pathway and particular care is being given to the units within the Development Directorate. When completed this will allow the first stage of the budget allocations to be managed and proper reconciliation between activity on the ground and that predicted in the business model will have been achieved.

ISSUES

- Successful resolution of Live Trial issues through the further testing of the new 24 Post Office installations.

- Improvement in the speed and reliability of software distribution. Joint work is in hand between the architectural view of the system capability and live field experience and plans put in place to close the gap between the two.

- We need to resolve POCL issues concerning the CSR+ specification and its early sign-off to allow the schedule dates to be achieved.

- The Roll-out Database (RODB) support tool is a critical facility for the implementation activity and will not be available for full use until the end of November 1999. Existing manual processes are needed to bridge the gap until this facility is available.

- Of the 19,000 Post Offices there remains a final group of between 80 and 100 where there is no land line network capability in place or likely to be in place. Resolution here moves us towards satellite communication for these very small, low volume, low business offices. Nevertheless it in important to maintain the national reach of the POCL network. Negotiations on this are proving difficult.

- We have a long-standing issue concerning agreements to be reached on lightweight mobiles for 250 offices where fixed equipment cannot be provided.

- We have been summoned to the DTI Trade and Industry Select Committee to explain the position on the Horizon Programme. This has required written material and critical questions and answers to be provided which will eventually find their way into the published report. This is likely then to trigger off yet more Parliamentary reviews through the PAC and probably the National Audit Office.

- We are determined to meet the cash payment points which follow Acceptance (£68m) and successful Roll-out to the first 1,800 Post Offices (£90m) which are vital payment points in 1999 both for ICL/Fujitsu funding and of course for the credibility of the new programme moving forward. All staff are focused on the criticality of meeting these milestones.

- To date POCL have refused to enter into any discussions with us about new business development plans and programmes and this is likely to be the position until we are through Codification and Acceptance.

- Although we are now some six weeks into the new contract arrangements POCL continue to remain negative and critical towards the programme and have not yet got over their bitterness on the way they have been treated within the public sector, for which unfortunately they continue to hold us partially to blame. We have to work at this as we make progress with the commercial, financial and programme matters in order to find a more positive and long term relationship.

Development Report

ICL Pathway	**Development Monthly Report**	Ref: PA/REP/039
		Version: 1.0
		Date: 15/07/99

Development Report

MONTHLY SUMMARY

- The three main streams of activity for the Development Directorate during June were the support of the live trial (LT1), the decommissioning of BPS and the testing of the maintenance release (LT2) due to be operational 12th July.

- The decommissioning of BPS has progressed extremely well and all parties have acted in a professional manner. No major problems have been encountered and the Benefits Agency has been impressed with the flexibility of our system and the quality and speed with which the work was carried out by ICL Pathway personnel.

- The Live Trial 'Observation Period' commenced 31st May and is due to cease 23rd July. The software problems experienced to date are contained in two areas; balancing/accounting and printing. Several fixes have been applied to the live counters but it has proved difficult to establish how successful these have been in addressing all the problems reported. Considerable effort is being expended to improve this process.

- The LT2 software increment contains a number of 'change requests' suggested by ICL Pathway and approved by POCL which will simplify the business processes involved in the weekly balancing activities. In addition, it contains a number of modifications designed to address the 'printing' problems and includes the fixes which address a large proportion of the KPR entries.

- Work continues on the development of the CSR+ release although we have still not succeeded in securing an approved functional baseline. This has been escalated to senior POCL management who have been left in no doubt as to the implications.

- The moral and motivation within the team is not the best I have encountered during the past three years. Following on from the initial shock caused by the withdrawal of BPS, the staff are very uncertain as to their future and that of ICL Pathway. We will need to work very hard during the next few months if we are not to experience a large exodus of key people.

PROGRESS

- The LT2 functional testing has been tested satisfactorily and specific enhancements and fixes witnessed by POCL. The final BIT regression test has been completed with no major incident and all the BPS decommissioning work has be achieved successfully.

- A revised counter reload strategy appears to have overcome POCL's concerns surrounding outlets which operate on a 24-hour basis.

- The OBCS reviews have been completed and the results are now being considered by management with a view to agreeing a way forward during July. The impact of removing BPS on the host hardware configuration is now fully comprehended. A paper recommending a new reduced configuration has been published and is currently being evaluated.

- The trials conducted in Boston to prove EMC fibre channel have been successful but the removal of BPS means that it is no longer necessary to install this technology for the Host layer. It will remain for TMS and the correspondence servers.

- All the development streams for CSR+ are on target to deliver in accordance with the internal plans, providing POCL resolve the outstanding issues in a timely manner. The SPM CCN has now been approved and we have received confirmation that Pisces will not be required in the CSR+ timeframe. A final review of the functionality in KMS has taken place and we have succeeded in removing some functions which can be reintroduced at a later date via the change process. This descoping has helped to ensure successful delivery for CSR+.

COST DOWN

- The manpower resources required in the Benefits Agency and the Generic Delivery Streams has now been reduced to the minimum to complete any outstanding activities/commitments.

- Change Proposals are now in progress to reduce the hardware capacity in the Data Centres for the Host Systems, and to avoid the need for further disc expansion in the Warehouse, both resulting from the removal of BPS.

CURRENT CRITICAL PROBLEMS

- The problems experienced in the field with 'printing' during the live trial are proving very difficult to resolve because there is insufficient evidence to isolate the fault. Following a process of elimination, e.g. hardware, cables, drivers, housekeeping, error routes etc., several changes/fixes have been applied, but we cannot be 100% sure that the problems will not reoccur.

- POCL and the Horizon team expect the LT2 software increment scheduled to be operational from 12th July to resolve many of the usability and educational issues experienced in the live trial. This will be further proven by the inclusion of 25 new outlets in the trial, commencing 19th July. It will be extremely difficult to maintain the current start date for National Roll-out if this release does not satisfy their expectations.

- We still do not have an approved functional baseline for AP Smart, AP client migration and the Logistics Feeder Service (LFS). All the outstanding issues have been formally raised and documented with POCL who are attempting to provide the data required within the next few days. If they are unsuccessful, we will be forced to formally withdraw those products from the CSR+ release. This would render the release virtually useless to POCL, which would have serious delivery and contractual implications.

- One of the objectives of the new organisational structure for the Development Directorate was to bring the business and technical integration testing carried out in Feltham and Bracknell respectively closer together. It was recognised that the additional and diverse developments anticipated would also have a significant impact on the accommodation requirements at these two locations and a major review would be necessary. However, the agreement reached on 24th May reduced the development activities to only those associated with CSR+. We are now left with the residual issue that the large test rigs are in Bracknell and the testers in Feltham but there is no longer any rationale for reviewing the accommodation requirements for the entire programme.

ISSUES

- The plan for introducing the functionality in CSR+ involved a series of increments to the live system controlled via the normal service management and release authorisation processes. This approach was preferred to reduce this risk of destabilising the system. POCL had not thought this through and are uneasy with the implications on their interface testing. We must work hard to agree a joined up plan.

- The new organisational structure for the Development Directorate implemented on 4th May is not entirely appropriate for the workload now envisaged for ICL Pathway. Changes will need to be made so that the team can operate in the most efficient manner.

- The architecture adopted for the Horizon system assumed a software distribution capability which was both fast and reliable. The experience of the live trial has demonstrated that further work is required before we achieve this objective. Several reviews and workshops have been held and a number of enhancements and fixes identified. We will be monitoring the distribution of the LT2 increment very closely to ensure that the changes are having the desired affect.

- The KMS product currently limits the outlet distribution population to circa 500 per week. This places an unacceptable constraint on the implementation of CSR+, consequently design reviews are being held to resolve the issue.

- BT and Energis have indicated that there will be approximately 85 - 100 outlets with no land network connections possible. They are suggesting that we should consider a satellite solution and this is being evaluated. Negotiations with POCL are expected to be very difficult both during and after the 'codification' period.

- We have not yet been able to find an acceptable working solution for the light weight mobile configurations i.e. those required to be carried and operated in a variety of remote locations every day, approximately 250 of this type have been identified. This issue is again being raised during the 'codification' period.

- POCL expect under the terms of the new agreement i.e. time and materials, to closely monitor our resource consumption during the design and development of any new product or service. Their expectations could put a huge burden on the administration resources within our Programme Office.

COSTS

- The Development Directorate has now succeeded in recasting the budget to reflect the new organisational structure. The 1999/2000 forecasts will now be based on this structure and will continue to be the subject of regular financial reviews throughout the year. The manpower and hardware resource savings which result from the removal of the benefit card system and the termination of all speculative product development activities will be reflected in future forecasts.

Commercial & Financial Report

ICL Pathway   **Commercial & Financial Monthly Report**   Ref: PA/REP/039
                                                                Version: 1.0
                                                                Date: 15/07/99

Commercial & Financial Report

MONTHLY SUMMARY

- Codification has progressed well overall and the deadline of 16th July should be met.

- All the issues identified last month have been resolved for the price of one concession on ICL's part to a value of approximately £3m. Most were resolved at the working level, the rest as a package via first level escalation.

- One key issue has since been identified which must be resolved.

- Finalising the new contract demands the agreement of many outstanding CCNs: many have now been signed off but with three days to go there are still a dozen or more critical CCNs to be agreed including the Release Contents Descriptions for both CSR and CSR+.

- Proposals to restructure the banking arrangements have been progressed with ICL Treasury in parallel and are close to being launched to the banks. The cash position will remain extremely tight until the initial £68m and £90m payments have been received.

- Discussions are well advanced with Girobank on the BPC termination but those with De La Rue have yet to get underway.

- New Budgets will be set for all departments following a series of reviews to assess the impact on each of the cancellation of the BPC.

PROGRESS

- Codification has generally gone as well as could have been expected. Escalation to Richard Christou/Stuart Sweetman on six issues (all of which represented 'gaps' in the letter agreement) resulted in a satisfactory package deal. Recourse to the expert was avoided. Subject to the resolution of one critical issue the legal process should complete on time on 16th July. There is a risk that agreement on all CCNs required to define the specification will go beyond 16th. If that happens, the fallback is that they be signed off before month end and contract signature.

- All contractual issues which were having an impact on Acceptance have been resolved.

- We will soon have a new contract which sets out clearly what we are required to do in all respects. The quality of contract documentation is generally high. A2As will have been all but eliminated.

- Year end accounts are ready for sign off at the Pathway Board meeting next week. This enables essential restructuring of the Financing arrangements to be progressed.

- We are close to agreeing the termination arrangements with Girobank (but not De La Rue).

KEY LEGAL ISSUES

ACCEPTANCE

- No need to redo Acceptance specs.
- No new or modified attributes, no new tests (other than chalk and talk for OBCS scaling).

RELIANCE ON DSS REQUIREMENTS

- Minor amendments to POCL Requirements have been.

'WHAT ARE WE BUYING?'

- A Day One Asset Register is to be included in the contract, but without any capacity undertakings or commitments to enhance the infrastructure.
- Information is being provided to POCL to help them to assess the 'headroom' inherent in the infrastructure - but strictly on an extra contractual basis.

RATE OF ROLL OUT

- Revised to 300 per week (from 334) with provision for an extended 'tail' to Roll Out under Operational Business Change, satisfying both programme teams.
- Roll Out milestones adjusted to trigger progress payments on the same dates (no cash flow penalty for making the change).

DISPUTED REQUIREMENTS

- None remaining

HOW TO TREAT POCL REQUIREMENTS NOT IN CSR+

- This issue, thought to have been dealt with, has re-emerged as an issue late in the process.
- The CSR+ RCD identifies clearly all such exclusions and actually improves on POCL's position under the letter agreement (whilst providing clarity for us) but POCL do not yet accept our interpretation of that agreement. They had hoped to argue the inclusion of further features into CSR+ following the loss of letter agreement precedence over Requirements in the new contract. They argue that the CSR+ definition in the letter agreement was not declared as exhaustive. We argue that only those features which are listed as specified additions to CSR are committed: all other features are held over to later releases and are subject to T&M charges to be agreed.

CONFORMANCE OF CCDS

- It is agreed that only those which relate directly to CSR must be re-done now.

- That includes PPDs, training material, and reports and receipts (some of these are proving difficult to close off quickly on both sides and remain a risk to Acceptance).

CCNS AND A2AS YET TO BE AGREED

- There has been a dramatic increase in the rate of clearance.

- All A2As have been converted into CCNs, although many still remain to be approved by POCL.

- Approximately a dozen have been identified as critical for the codified agreement: progress on these is being monitored on a daily basis jointly by Pathway and POCL Commercial Heads.

- They include the RCDs, PPDs, Release Policy document and Reports and Receipts.

OTHER ISSUES ARISING LATER IN THE PROCESS ('GAPS' IN THE LETTER AGREEMENT)

- Number of counter terminals: we argued 38,750 limit, POCL argued 40,250 based on two conflicting provisions in the old agreement: agreed 39,750 but with added clarity in our favour as to other limits. (The 1000 terminals equate to the £3m cost increment).

- Transfer payment during term of the agreement under termination for default: a reasonable pro rating formula has been agreed which greatly reduces our risk.

- The previous cap on termination payment under termination for convenience has been removed.

- The severability clause has been restricted (not doing so would have left a risk of third party interference resulting in a right of POCL to terminate the contract).

- We have agreed an extension of the FJ company guarantee to fully protect POCL's interests in the Pathway assets owned by Assetco. (to cover the funding Consent Agreement): this corrects an omission on the part of POCL and should be viewed as part of the overall package

- We have agreed 'clarifications' which assist POCL in their accounting but which cost us nothing.

BUSINESS CASE

- The underlying business plan remains a £50m loss with the objective of getting back to break even through a combination of 'cost down' and 'revenue up'.

- The compromise deal results in an immediate £3m gap (task).

- Immediate 'cost down' actions have been taken but more are planned to achieve the reduced cost levels in the business plan. An amount of restructuring will be required. This will involve close review of operational and the roles of certain subcontractors on the one hand and of development plans and resourcing on the other.

- 'Revenue up' depends on a much better relationship being established with POCL. As of now, they are bitter about the new contract. They feel it has been forced on them, and hold us partly to blame (although we remind them that we have just taken a £180m write down and lost the upside opportunity of smart cards).

- New departmental Budgets which match the business plan will follow shortly after the current round of JHB reviews.

- The 1999/01 profit target is £15m.

- Banking arrangements remain to be restructured satisfactorily: bridging finance from Fujitsu may be required to provide the short term cash required pre Acceptance and possibly pre the first £90m progress payment. Stringent cash controls are in place. The subcontractor termination negotiations have taken account of the need to defer cash payments

RISKS

- There are still issues on codification to close down before the 16th. In addition to the issue on CSR+ specification (above), a further issue could yet arise if POCL argues that POCL delays to Roll Out should be subject to the general cap on liability.

- The specification of CSR has still to be agreed in the detail required for Acceptance (critical CCN list).

- POCL attitudes towards us, currently negative.

- Performance of LT2: screen freezes and printing in particular - risk of delay to Acceptance.

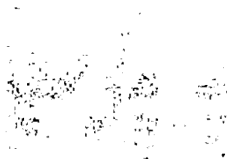- A Fujitsu bridging loan and/or standby facilities may yet be required over and above the DKB/ BOTM facilities.

ISSUES

- The codification exercise will really not be completed until after the Post Office Board meetings next week, and confirmation that they will sign.

- Outstanding CCNs, although now far fewer in number, remain a risk to Acceptance.

- Restructuring of Pathway's Financing arrangements has yet to be resolved: this remains a difficult area to deal with to the satisfaction of all parties and within the constraints of the Consent Agreement.

- Pathway's ability to respond positively to the need to significantly downsize its operations and development activities in the face of continuing POCL resentment and lack of new business goals.

COSTS

- The cost and cash picture in the month was again generally favourable when measured both against the old Budget and more demanding new business plan targets.

- The Controller's report follows.

ICL Pathway	**Commercial & Financial Monthly Report**	Ref:	PA/REP/039
		Version:	1.0
		Date:	15/07/99

JUNE ACTUALS 1999

KEY NUMBERS (£000'S)

		Month of June 1999		Cum. April - June 1999	
		Actual	Variance vs. Forecast	Actual	Variance vs. Forecast
Trading/Project Costs:	Revenue	1,027	(18)	1,084	(120)
	Project Costs before Capitalisations	9,178	2,020	23,197	2,912
	Declared PBT Losses	54	28	301	(12)
Cash:	Business Operating Cash Flow	(9,644)	(2,643)	(36,341)	(578)

		End of June 1999	
		Actual	Variance vs. Forecast
Balance Sheet:	Project WIP	106,886	2,924
	Net Fixed Assets	40,564	682
	Total Borrowings	268,793	(578)
Headcount:	Permanent	228	41
	Non-Permanent (ITs and Temporaries)	12	7
	(Memo): Freelancers procured through ICL IT Contractor Services	214	8

Summary:

Meaningful variance analysis is again thwarted by the current disconnects between the forecast assumptions and the actual contractual situation.

Project cost levels were a total of £2m lower than forecast, with a large part of that favourable variance being due to either the rapid falling-away of costs supporting Benefit Payment Card activities or the charging of costs against the provisions set up in the March accounts.

Reported manpower levels for permanent were again lower than forecast, but full use is being made of resources available through A&TC.

Borrowing levels were slightly worse than forecast, due to the £8m Government cost contribution still being outstanding.

ICL Pathway   **Commercial & Financial Monthly Report**   Ref: PA/REP/039
Version: 1.0
Date: 15/07/99

JUNE ACTUALS 1999

PROJECT COST ANALYSIS (£000'S)

	Month of June 1999		Cum. April - June 1999	
	Actual	Variance vs. Forecast	Actual	Variance vs. Forecast
Revenue	1,027	(18)	1,084	(120)
Direct Cost of Sales	1,794	497	6,182	1,099
Gross Margin (Deficit)	(767)	479	(5,098)	979
Opex:- Labour - Own Staff	996	99	2,840	139
Travel & Subsistence	71	12	185	15
Freelancers	2,398	64	6,500	402
ICL Subcontracts	1,574	307	3,795	1,310
Other Subcontracts	249	170	929	315
Depreciation	1,224	414	3,614	1,176
Marketing	(7)	334	62	367
Professional	295	76	762	113
Other opex	398	40	(4,783)	(1,924)
Gross Project Opex	7,199	1,515	13,905	1,912
Interest costs	1,213	25	4,195	20
Costs before Capitalisations	9,178	2,020	23,197	2,912
Declared PBT Losses	54	28	301	(12)
Capitalised into WIP	9,124	1,992	22,896	2,924

Comments:

Revenue was close to forecast, in spite of the lack of any PFI transaction-based revenues from the live trial. Higher than expected invoicing in respect of site preparations and agreed contract amendments almost filled the void.

Cost of sales were lower than forecast, the main cause being the forecast compensation payments to subcontractors which are now charged against the provision established at year-end.

The savings in Opex were virtually all related to the sharp scale-down of work related to the Benefits Payments element of our system. This led to lower costs from Dublin-based A&TC and savings in both internal and external support costs. The lower depreciation costs were mainly due to the accelerated provisions taken in March. Marketing cost savings were also due to the absence of Benefit Payment related public awareness costs and professional costs undershot forecast due to the fact that fees relating to additional financing have not yet been incurred.

No accrual has yet been made for the partial clawback of costs from the DSS relating to the effort involved in transitioning away from the Benefit Card.

JUNE ACTUALS 1999

HEADCOUNT

Permanent Headcount

End of June 1999		
	Actual	Variance vs. Forecast
Development / Programmes	65	11
Implementation	65	2
Customer Service	59	12
All other departments (UK Project)	38	13
Total - UK Project	227	38
International Sales	1	3
Totals - Permanent Staff	228	41

The apparent lower than forecast levels of permanent employees needs to be viewed in conjunction with the fact that over 40 A&TC staff are currently on assignments within Pathway.

Non-Permanent Headcount

End of June 1999		
	Actual	Variance vs. Forecast
Industrial Trainees and Temporary Staff	12	7
Freelancers (sourced through ICL IT Contractor Services)		
Development / Programmes	183	1
Implementation	8	(4)
Customer Service	6	1
All other departments	4	(2)
Total - UK Project	201	(4)
International Sales	1	5
Totals - Higher Skills Freelancers	202	1
Totals - Non-Permanent Staff	214	8

Grand Total - UK PFI Project	440	41
Grand Total - International Sales	2	8
GRAND TOTALS	442	49

Many of those assignees have been brought in as a cost-effective alternative to the need to go outside for the skills currently required.

International sales activities have been pared back to the minimum required to support existing commitments.

JUNE ACTUALS 1999

CASH FLOW (£000'S)

	Month of June 1999		Cum. April - June 1999	
Inflows/(Outflows)	Actual	Variance vs. Forecast	Actual	Variance vs. Forecast
Net Project Costs - capitalised into WIP	(9,124)	1,992	(22,896)	2,924
Project costs taken straight to P & L	(54)	28	(301)	(12)
Depreciation	1,224	(414)	3,614	(1,176)
Movement in other Working Capital Items	19	(5,724)	(9,672)	(4,172)
Fixed Asset Additions	(1,709)	1,475	(7,086)	1,858
Business Operating Cash Outflow	(9,644)	(2,643)	(36,341)	(578)
Opening Net Borrowings	259,149	2,065	232,452	-
Closing Net Borrowings	268,793	(578)	268,793	(578)

BALANCE SHEETS (£000'S)

Comments:

Variances against forecast have been restated to take account of the late adjustments to the March accounts.

Borrowings at the end of the month - still the key indicator - were some £0.6m worse than forecast. The forecast had assumed that the HM Treasury contribution to costs (£8m maximum) would have been received in June. Its receipt is now likely to be tied into the finalisation of the new contract codification.

Apart from this item, we generally held back on payments as far as operationally possible, and the lower general levels of current and capital expenditure almost fully made up for the lack of the government receipt of funds.

	End of June 1999	
	Actual	Forecast (adjusted)
Net Fixed Assets	40,564	41,246
Project Work in Progress	106,886	109,810
Other Working Capital	(41,134)	(45,306)
Totals	106,316	105,750
Share Capital	20,000	20,000
Retained Earnings	(182,477)	(182,465)
Group Pooled Borrowings	20,673	20,095
Internal loans	75,000	75,000
External Loans	173,120	173,120
Total Borrowings	268,793	268,215
Totals	106,316	105,750

Customer Requirements Report

Customer Requirements Report

MONTHLY SUMMARY

- All formal approvals for Acceptance Trials are now complete. All Acceptance Review Meetings have been held. CCNs for all key documents have been raised. The Acceptance Incident processes have been streamlined. Excellent progress has been made on the two key balancing incidents. The total Acceptance Incident count has risen to 304.

DETAILED PLAN ACTIVITIES

RELEASE CSR

- Tony H and Dave H completed activities to effect the withdrawal of DSS, including getting the final CCN approved.

- Tony H completed actions required to facilitate the new contract, comprising the revision of Requirements, Solutions, Service Definition and Contracting Authority Responsibilities Schedules.

- John D output the Known Problem Register (KPR) to document the completion of CSR BIT Regression. There were just three regressed items.

- Support has been provided to produce the Release Contents Description (RCD) for CSR.

RELEASE CSR+

- There are issues to solve within POCL concerning the use of Reference Data by Logistics Feeder Service.

- APS Client Migration has become a difficult area. POCL are unwilling to sign off the Client Migration Strategy unless we also agree to support the Clients' many legacy interfaces, a strategy that will take too long and produce a weak operational system.

- Dave C has produced the "vanilla" APS Client Specification.

- Similar support was provided to produce the CSR+ RCD.

CCNS / CRS / CPS

- The eight Cash Account CCNs have been approved by Horizon. CCNs were "forced out" for the key documents for new contract signing and Acceptance: Style Guide, Reports & Receipts, Processes & Procedures Documents (PPDs). The CCN (483) associated with the latter was immediately rejected by Horizon for unacceptable reasons but was reinstated after a muscular exchange.

- Pathway had received a further 147 comments on the Reports & Receipts document on 24 and 25/6 but nevertheless lodged the CCN on 7th July.

- Unwarranted, and sometimes unreported, delays were being experienced because Horizon Change Control's equipment could not handle large or demanding documents. A suitable specification PC is being provided to Horizon so that we can be sure they can receive these documents.

ACCEPTANCE SPECIFICATIONS

- No activity. We now have formal confirmation that these specifications will not be reworked.

ACCEPTANCE TRIALS

- Formal agreements to the seven areas were lodged by Horizon by the due date of 25th June. A further, unexpected, agreement for Security was lodged on 1st July.

ACCEPTANCE REVIEWS

- The last Acceptance Review Meeting (APS Segment 5) was held on 30/6, formally speaking this segment of the plan was one week late. In several cases, although the ARM has been held, there are review actions with both POCL and Pathway to progress.

- *It is important to understand that all such outstanding actions will be converted to Acceptance Incidents by mid-July. Management focus thereafter will be solely on the AI list.*

ACCEPTANCE INCIDENTS

- The modus operandi of AI handling has been changed, because the delays in paper-based and sequential systems were causing actions and reports to be undertaken on out-of-date statuses. POCL are providing drops of the AI database tables very frequently, possibly daily during the height of the AI season. The Pathway ATMs are responding via e-mail to both the POCL ATMs and Acceptance Central. Improved standards of response have been agreed. In addition items more properly handled via maintenance processes are being filtered out.

- At the time of writing there are 304 entries on the AI database.

- The KPR was reissued to show the LT2 dispositions accounting for the first 164. In the event there were only 18 entries left for CSR+ resolution. Of the 140 post KPR items those listed below are the most important. However, there are two remarkable groups: philosophical issues - could we roll out APS without EPOSS, the boundary of TMS; and those really aimed at seeking access to the HSHD records by the back door.

- 218: Balancing / training. All eight of the modifications to simplify and shorten balancing procedures have been successfully included in the LT2 build and associated tests witnessed. The corresponding managers' training course material has been revised and was successfully "dry-run" during the week of 5th July. The materials for Counter Procedures and the Quick Reference Guides have been prepared and the PPD revision produced in readiness. Horizon has notified Pathway that it may refer the assigned severity of AI218 to the Expert. We will reissue the Acceptance Incident Analysis in a very favourable manner comprehending all the progress made, if Horizon take this step, as it will be important to win a first arbitration to discourage Horizon from further referrals.

- Besides 218 there are several overlapping Training Acceptance Incidents, even though the training work has gone very well. We may be seeing the side effects of personal issues within POCL.

- 227: Balancing / printing. Three circumstances have been identified that contribute to the printing problems and are in course of rework: cancelling during printing; switching the printer off and on during printing; and (incorrectly, currently) omitting the office report causing long delays in printing the cash account. In addition printers from reporting outlets have been replaced and brought under test. A large number of printing-related PinICLs have been fixed at LT2 and this area should now be much more stable. There are several overlapping printing incidents also.

- Horizon has raised as Medium an AI concerning the new meaning acquired by an old invoicing information Requirement. The new contract requires Pathway to provide transaction volume information summarised to allow reconciliation of any disputed volumes and to document various invoicing adjustments. Dave H produced a specification for this information, which is not in fact required for some 18 months. A resolution meeting was held on 9th July to agree the principles for invoicing data provision; on the basis of revised specification documents (invoice layout & supporting reconciliation data) it should be possible to agree downgrading of the AI, even though some work in the Data Warehouse will be required (CSR+).

- There are some 25 AIs raised in the POCL Infrastructure area including a difficult one on 24-hour working and a philosophical one on the position of the TMS/OPS boundary.

- The PAS and OBCS areas do not contain any difficult issues.

- Security currently has no open incidents, although the Horizon Acceptance Test Manager has been changed to one who will try to make a mark. There are 11 PinICLs, two requiring early clearance.

- Service Levels (Performance) has only the new issue of the performance of OBCS at the full workload level now that BES has gone. The customer is making a lot of this and we have notified him that the fundamental performance measurements that were done will be the basis of modelling the changed workload and that the action will be taken forward through John Hunt. There are also two medium PinICLs in course of clearance.

FUJ00058183
FUJ00058183

- The TIP project has been told to raise a number of operational items as Acceptance Incidents. These are difficult to handle as they need to be cross-referenced to Help Desks calls. We are getting suitable references from our Help Desk staff where possible and also pressing to get these kind of AIs removed as inappropriate to Acceptance.

- This is part of a Horizon campaign to gain access to the Pathway Help Desk information and the associated know-how. POCL has also written directly seeking access to the PinICLs raised by Pathway's Horizon Systems Help Desk with a view to raising some of these as AIs. Pathway has committed to provide Horizon with on-line access to the Problem Management Database, in accordance with Requirement 914. This database records those items that are significant to the service definition and design as distinct from ordinary maintenance traffic.

- EPOSS is principally dependent on approval of the Reports & Receipts specification, which has just been issued for CCN, and AI 227, q.v., and 211 (Receipts not Equal to Payments) being cleared in LT2.

- Reference Data is currently OK.

- End-to-End is expected to yield three incidents all concerned with seeking open access to Pathway design documents. We have provided access to some under Non-Disclosure and extracts of others, which we expect the Expert will see as reasonable if it gets that far.

- At the time of writing the final tally of incidents from Reconciliation and Schedule C3 were not received, but the former area is expected to prove difficult.

ACCEPTANCE BOARD

- John D was invited to the Horizon committee who will "decide" on Acceptance. (In fact no decision is entailed - it either occurs or does not.)

- We have indicated that we would expect to resolve Mediums by the year-end, but that we will take each such case on its merits.

- We have proposed that we provision a resolution meeting for the third week of August at which the Expert and POCL and ICL representatives can be on hand to complete all stages of arbitration in a single pass, thus telescoping a possible four-week process into four hours.

NEW BUSINESS

- No activity.

OTHER TEAM ACTIVITIES

- Dave H attended the seminar with Professor Nigel Harding to take forward the use of workflow as the unifying technology for health and social service EC-funded projects in the North East. There is as prospect of a European Centre of Workflow Excellence involving ICL and Microsoft.

ICL Pathway	**Customer Requirements Monthly Report**	Ref: PA/REP/039
		Version: 1.0
		Date: 15/07/99

- Dave H has established the DOORS requirements management facility and has started populating it from the new contract. The tool is powerful but overlaps with PVCS and Microsoft Office.

- Dave H chaired the Workflow standards meeting and presented to the Black Forest multinationals group (which includes the UK Post Office).

- Replies to questions from the HMG Trade & Industry Parliamentary Committee were provided covering the high rate of change of DSS Requirements changes, the long delays in defining DSS business rules and the rejection by DSS of smart card technology.

- John C is back part time - welcome back.

CURRENT CRITICAL PROBLEMS

- None.

ISSUES

- We now have "just" to maintain constant downward pressure on the Acceptance Incident workload, heading off any Mediums and Highs where possible.

Customer Service Report

Customer Service Report

MONTHLY SUMMARY

- From Pathway's perspective, CSR (LT1) has continued to perform reliably. POCL's perception is dominated by continuing end-user problems with stock balancing and cash account production on Wednesdays. Although many software fixes have been applied to LT1, there remain several outstanding that will not be implemented until LT2. The majority of problems relate to:

  1. Payments not equal to Receipts

  2. Printing/printer performance

  3. Effectiveness of Training

- All of these issues are receiving maximum attention and a Task Force approach has been adopted with the SSC / OTT teams soak testing printers recovered from the field and destructively testing the printing procedures.

- The operational problems with Tivoli systems management and software distribution are improving and the backlog of fixes has been eliminated. LT2 software packages have now been downloaded to all 753 counters in readiness for the upgrade that takes place on 10th/11th July.

- Customer satisfaction of the cash account processes each Wednesday remains depressed but is expected to improve post LT2. Analysis of calls to the HSH continues to indicate a steady improvement in end-user competence in executing the cash account.

- The Benefit Payment Service was withdrawn according to plan with no outstanding issues.

- The Wigan Data Centre was successfully implemented in 12th/13th June.

VITAL STATISTICS

- Installed base: 299 Post Offices, 753 counters

- *Number of Cards issued*   51,485

- *Number of Active Cards in use*   25,451

- *Total number of BES Counter Transactions*   1,304,752

- *BES Counter Transactions in month*   44,328

- *Value of Benefit Payments in month*   £1.6m

- *Total value of Benefit Encashments made*   £40.9m

- Total number of OBCS Transactions to date   9.4m

- Total number of OBCS transactions in June   1.1m

- Total number of books impounded to date   22,816

- Total number of EPOSS transactions to date   2.7m
- Total value of EPOSS transactions to date   £109m
- Total number of EPOSS transactions in June   1.9m
- Total value of EPOSS transactions in June   £80m
- Total number of APS transactions to date   329,805
- Total value of APS transactions to date   £9.2m
- Total number of APS transactions in June   246,801
- Total value of APS transactions in June   £6.7m

PROGRESS

OPERATIONS

- June was a reasonably trouble free month marred only by an OSD NT technician moving on the time within the host system. A review of OSD's operational procedures has been initiated.

- The second data centre was integrated successfully within the live service and the operational testing of failover carried out. Early indications are that we have an operationally viable facility with some work still to be done to improve the speed and efficiency with which failover and recovery is carried out.

- The reference data procedures are documented and are working well with the fast-track passport change demonstrating the team's capabilities.

- The software release backlog has now been cleared with excellent progress on the LT2 Release note. However we remain concerned for both the operational procedures of the SMC and their software distribution performance.

- Good progress on CS Operations Manual.

- The Business Continuity Framework document is now with POCL for comment. It is very frustrating that they continue to raise new observations in spite of having said previously there were no further observations. This is now a CCD so all changes now have to be formally submitted under change control.

BUSINESS SUPPORT

- All payments were successfully stopped and reconciled in PAS prior to the de-commissioning of BPS. We have thus maintained a 100% record in reconciling all BPS payments.

- The initial problems with the APS reports have been resolved, and the reports are now being produced according to specification.

- Analysis continues of weekly cash account related calls to HSH. These are being closely monitored.

- Representatives from CS are assisting POCL Service Management in phoning Post Office outlets on a weekly basis to obtain feedback on how PMs view various aspects of the cash account balancing process using the Horizon system. The main issue identified so far, appears to be the perceived unreliability and slowness of the back office printer during cash account balancing.

SYSTEM SUPPORT

- During June there has been some relief from the intense workload pressure that followed the Data Centre Migration weekend. The PinICL stack is under control and the level of overnight and week-end call-out by OSD has reduced.

- SSC staff took part in the successful BPS closedown activities - e.g. monitoring data on stops and outstanding payments.

- Testing of NR2 fixes continued to run at a high rate during June with 31 fixes being tested.

- For much of the month the Operational Test Team has been heavily involved in preparation and running of LT1 to LT2 test activities - this has involved some members in significant overtime (including week-end working).

- It is intended to include an increasing level of call-related metrics in these monthly reports. The initial set of information, covering the month of June, is as follows:

  - Total Calls raised through SSC   410
  - Total Calls closed through SSC   498
  - Total Calls closed by SSC as
    KnownError/Duplicate Call/No Fault in Product   158
  - Total Calls passed to Development   112
  - Total Calls closed by Development as
    KnownError/Duplicate Call/No Fault in Product   24

INFRASTRUCTURE SERVICES

- There has been a continuous reduction of cash account calls into the HSH as postmasters become more familiar with the operation and processes surrounding the weekly balance. The dependence upon the POCL/Peritas expert domain has reduced and we have removed this function from the HSH. Expert help is now operating on a telephone stand by basis.

- SLA targets such as abandoned calls, telephone answering times and call duration continues to be the main focus of attention. The poor performance seen in the early life of NR2 has seen a steady improvement on Wednesday and Thursday as the postmasters grow in knowledge and confidence. However similar improvements have not been seen over the rest of the week.

- The introduction of structured scripts and closed questioning techniques has been well received by the HSH staff and early indications show that this also reduces telephone time when taking Cash Account calls.

- The present performance of HSH gives cause for concern in 3 areas:

  - Achievement of Service Levels.

  - Management Intervention.

  - Openness when dealing with ICL Pathway Service Management.

- Dave Fletcher is working with the supplier to establish a recovery plan.

CURRENT CRITICAL PROBLEMS

- None.

ISSUES

- OSD Service Improvement Plan for SMC.
- Need for an enduring solution to Cash Account processing problems.

Quality
& Risk
Report

Quality & Risk Report

MONTHLY SUMMARY

- **Acceptance** - Audit acceptance is now complete, with no AIs; Security and Policies and Standards are progressing, so far with no AIs.

- Also considerable activity this month in revising documents to reflect the contract changes (Audit, Security and Y2k).

- **Risk Management** - A risk management tool is being introduced into Development. The Programme Risk review has identified as major risks the development and agreement of the plan for CSR+ and quality of RFI sites and readiness for the start of NRO.

- **Security** - CSR services have been introduced to ensure adequate management controls.

- **Processes** - Work is underway to revise Development Lifecycle and Release Management processes and ensure that they are followed.

- **Y2k compliance** - Issues are now around Implementation support systems and contingency planning.

PROGRESS

RISK MANAGEMENT

- Development Risks - A risk management tool has been identified, Predict! Risk Management System, supplied by Risk Decisions. It consists of two elements, Predict! Controller the risks database and Predict! Analyser which provides the statistical function. It will also interface with the planning tool AMS Real Time (Schedule Publisher) and therefore have potential to be the ICL standard. A six month trial in 2 delivery units and a B&TC unit has been agreed and will start in August.

- **Programme Risk Register, June** - Overall, risk has decreased since the last review, as a result of implementing Live Trial and the contract change.

  - Acceptance - The major risk is now that of the weekly office balancing issues and potential reaction of the customer to further issues.

  - CSR+ - Major issues now are the completion and agreement of a full plan, migration from CSR and final implementation of the Development organisation.

  - Implementation risks have increased. The major issues are now the quality of RFI sites which is being investigated and overall readiness for start of National Roll Out.

SYSTEM SECURITY

CSR

- ACP, SFS, Security Policy, Code of Practice, PACE and Security Management Procedures have been reviewed and redrafted in light of contractual changes.

- Acceptance - Support continues; the remaining AI was closed.

- The ICL Pathway Data Protection Act registration and purposes have been reviewed in light of contractual changes. Modifications are required to the Subject Access Request process.

- User and role changes have also been identified.

- Work continues to ensure correct and consistent installation and maintenance of anti-virus software in the live estate

- The Tivoli security event viewer has been enabled on the Security Event Management client and the active monitoring of events and checking of archives has begun.

- Discussions with POCL have restarted to determine a revised One-Shot Password process. Despite agreement between ICL Pathway and POCL Security staff, POCL Regional Network Managers have rejected the process. The process was due to go live on 1st July but was withdrawn by POCL at the last minute.

- Automation of the SecurID and ACE Server monitoring and report generation has begun.

QUALITY

- Policies & Standards Acceptance Test

  - Acceptance Test Plan reviewed against the revised Solutions Schedule.

  - Segments 1 & 4 Reviews completed.

  - Further information gathering to clarify points of difficulty ongoing.

  - Weekly progress reviews with Horizon ATM supported

  - 34 of 54 Criteria have now been accepted.

  - No Acceptance Incidents raised to date

- Cirencester DQA Report has been circulated to actionees for comment and action proposals.

- An audit of WTplc is in progress in response to problems reported from the Preparation of the 103 sites added to the Live Trial estate, and a draft report has been circulated. A need to assess the performance of current sub-contractors Romec and Hyder has been identified.

- Disaster Recovery Plans - Work is now coming to a head, with the finalising of flowcharts and action lists. Work is underway to clarify and implement changes to the organisation in the Business recovery Plans.

- The 1999 Q1 Packaging Return has been submitted.

AUDIT

- Acceptance - All Acceptance trials and reviews have been completed, with no Acceptance Incidents. A letter has been sent by the Horizon test manager to Horizon to recommend acceptance of the Audit solution.

- The ATFS and Horizon System Audit Manual have been updated to reflect contract changes and comments raised in review.

- Internal audits:

    - Change Management Audit is complete and a corrective action plan agreed.

    - Implementation Audit; hiccuped due to lack of availability of Implementation staff, but is now targeted to report end July.

- Process Development:

    - Development Lifecycle - Facilitation of changes to this process is underway as a result of changes in the Development organisation.

    - Release Management - Work has been started to modify and propose a process that was originally developed 2 years ago and not implemented.

YEAR 2000 CONFORMANCE

- The Y2k Business Continuity PID has been updated to reflect the contract changes. Progress is as follows:

    - CS - on track.

    - CM - dual site servers up and running but plan/process needs to be defined.

    - Development and Implementation- no significant progress.

- Internal issues

    - Implementation rely upon a number of systems including RODB, ROHD and Activity Tracking Data Base. The latter is specified to use non compliant product versions and has not been rigorously tested.

- DSS/POCL Contingency Planning.

    - Discussions with POCL on the plans for testing of POCL outlets and the live service on 1/1/2000 continue. (Subject to a Change Request).

    - DSS have stated that they are establishing a contingency site for ESNS host based at Swindon. (Subject to a Change Request).

- Plans for outlet opening and operation are being discussed. The headlines are:

    - Crown offices will be closed Friday 31ˢᵗ Dec 1999 through Monday Jan 3ʳᵈ 2000.

    - POCL expect that 6000 outlets will be open on 28ᵗʰ December 1999.

    - POCL approach is to "health check" the live service early on 1/1/2000 and then determine if they should invoke their contingency plan.

    - DSS will close their on-line systems at 16.00 on 30ᵗʰ December followed by consequential batch processing. Live service will re-start 4/1/2000 though there will be some testing of the systems over the weekend.

ISSUES

- Still a considerable volume of changes to accommodate as a result of the contract change.

- Understanding the impact of the system changes effect following the cancellation of card based payment on the system and any Y2K vulnerabilities.

- Managing BA and POCL expectations of systems stability during Q4 1999 and Q1 2000 in the context of the SIP plan and CSR+ target dates.

- Ensuring the overall business continuity plan for Pathway provides adequate mitigation against the risks and that Y2K specifics are delta'd on top.

Business Development Report

ICL Pathway	**Business Development Monthly Report**	Ref:	PA/REP/039
		Version:	1.0
		Date:	15/07/99

Business Development Report

MONTHLY SUMMARY

- This month's main focus has been on leading a team to sort out the balancing issues faced by the sub-postmasters in the Live Trial. This is critical, as Acceptance and National Rollout are dependent on an improvement in the live offices. Two visits to a number of live offices in both POCL regions have significantly helped this task. Progress is being made:

  - The Pathway recommended changes to the balancing process have now been implemented in the LT2 build.

  - Changes have been made to the managers training event. A dry run takes place 5th/6th July.

  - A task force is now in place to identify and solve printing issues.

  - Software mods. have been made to sort out 'payments = receipts'.

  - Recommendations for further improvements have been made to POCL. The biggest worry is that the recommendations are one way. POCL have not yet put a process in place to collect feedback from the live offices. This in turn is causing frustration as the live offices are putting forward suggestions without any feedback. We are proposing a proper forum for this.

  - Amended Quick Reference Guides have been issued to the live offices.

  - A list of printing 'do's and don'ts' is being drawn up for early issue to the live offices.

- The frustrations with some of the system issues in the live environment are felt just as strongly in the POCL regions as they are by the actual sub-postmasters. The real bottleneck is with the centre. We must keep up pressure for change and faster response to the live operation.

- Overall, the important message from the outlets is one of support for the system. They like the system see it as vital for the future BUT can the balancing issues please get sorted.

BUSINESS DEVELOPMENT

- Twelve individual sales campaigns have been identified to deliver revenue over and above the new contract.

- We continue to encounter resistance from POCL staff to start any dialogues until after the contract has been codified. We need to agree rules of engagement for POCL staff. They are paranoid about us charging for even coming to meetings. This needs to be sorted quickly between POCL and ICL Pathway. This is probably not a bad starting point as previously Pathway was seen to be liable to pay for everything.

CUSTOMER EDUCATION & COMMUNICATIONS

EXTERNAL COMMUNICATIONS

- Media communication on a reactive basis has fallen off as hoped. It is a matter of priority that we start proactive communications now.

- We must also ensure that because of the change to the contract, this does not diminish our contractual responsibilities on external and internal comms. Approval must still be sought for documents relating to Horizon both from POCL and from ICL Pathway.

INTERNAL COMMS

- In ICL Pathway has taken a priority - the recent changes and ICL announcements have it would seem, demotivated some.

- A new ICL Pathway profile has been prepared.

- We have reserved a 2-page spread in the July/Aug edition of the ICL magazine, to give an update on ICL Pathway since the Treasury Review was announced.

- A good news article on the 300 post offices will appear in MSMS the ICL monthly, electronic newsletter.

- The last edition of Brief EnCounters was sent out w/c 14th June as a one-off special based around the changes within ICL Pathway. The next edition is due in the middle of July.

- A Supplier update newsletter is planned

- All communication supplier contracts have been cancelled.

INTERNATIONAL

- Peter Atkinson has moved into Linkwise as part of the 'cost down' programme. Given the change of focus that I have put in place to concentrate on current Riposte users for high value consultancy opportunities, it became unnecessary to have Peter in place.

- We are in discussions with ICL South Africa to formalise the approach to the Namibian Post contract. ICL SA is now the owner of the contract. Pathway resource is being allocated to them at cost to ensure the success of the product deliverable to the customer.

- Deutchse Post have invited us to hold a workshop with them 19th/20th July to formulate some specific work packages where we can help. This is positive news and can lead to some good consultancy revenue.

- The contract with CTT in Portugal has still not been signed. There is still a small chance of ICL getting back in the frame but it is not something that any Pathway effort is being expended on.

ICL Pathway   **Business Development Monthly Report**   Ref: PA/REP/039
Version: 1.0
Date: 15/07/99

- Discussions continue with Escher to get an exclusive teaming agreement in place for sub-Saharan Africa.

PROGRESS

BBC RE-ENGINEERING

- Initial scope of re-engineering has been identified. A meeting is booked with Paul Harris of POCL for 30th July to confirm that the scope maps onto his strategy. Once this has been confirmed we will create a formal proposal for POCL.

DVLA RE-ENGINEERING & MOT INTEGRATION

- Initial scope of re-engineering has been identified. We need to do more work to understand the scope of MOT integration. A meeting is booked with Terry Benson of POCL for 28th July to confirm that re-engineering scope maps onto his strategy, and to brainstorm the scope of MOT integration. Once this has been completed, we will create 2 formal proposals for POCL.

EFTPOS (CREDIT/DEBIT CARDS)

- The Front End Functional Requirements section from the POCL Statement of Requirement has been issued for review by POCL.

- A meeting is being sought with POCL to agree charging mechanism for future ICL Pathway effort. We need to agree a clear break point between creating an end to end proposal, and designing the service (the latter is chargeable under the new contract).

EURO CURRENCY UPGRADE

- At some point, it is likely that POCL will need to update the counter system to except the Euro in addition to sterling. Work is underway to identify at a high level the technical options available and a rough scale of costs. Once this has been completed we will approach POCL to agree a way forward leading to a formal proposal from ICL.

HOUSEHOLD BUDGETING

- This product was designed to work in conjunction with the Benefit Payment card. In the absence of the BP card, we are currently investigating the feasibility of linking in to OBCS transactions. Meeting booked with Paul Harris of POCL for 30th July to confirm his interest and support for this product. Once this has been confirmed, and if the feasibility study is positive, we will create a formal proposal for POCL.

ICL Pathway	**Business Development Monthly Report**	Ref: PA/REP/039
		Version: 1.0
		Date: 15/07/99

MAILS APPLICATION

- Initial scope of product has been identified at a high level for UK mail services only. Currently unclear of where responsibility resides within the Post Office for progressing this opportunity. Not being progressed internally until we establish a contact within the Post Office who will take responsibility for developing the ideas and scope with us.

MULTI-CHANNEL

- The Post Office is very unclear about how they will use and pay for a full multi-channel service. We need to identify whom in Post Office (P.O.) has responsibility for this area, and then help them understand the opportunity and the threats to their business if they do not move in this direction. Key tasks for us are to create a small demonstrator to bring the concept to life, and to work with the P.O. to help create a business case. This opportunity will eventually be progressed as an ITT by the P.O. and on that basis we will need to undertake significant pre-sales if we are to ensure we win this business.

NATIONAL SAVINGS RE-ENGINEERING

- Based on the extensive joint work completed in 1997, we have a good idea of how we can add value, however we are experiencing severe difficulty in getting the Post Office to engage with us in any way on this opportunity - see Current Critical Problems. We will keep pushing, and will look to ensure they are provided with rules of engagement a.s.a.p.

NETWORK BANKING

- Given the importance of Network Bank to their strategic future, their reluctance to engage is a worry. A meeting took place with Linda Hanratty, Director Network Bank with a stated aim that further discussions would be dependent on the signing of the contract and agreement to 'rules of engagement'. However they have appointed a new Managing Director for Network Banking, Basil Larkins (ex-Abbey National), which should help provide some direction.

- We have sent the Post Office a briefing document detailing where we can help them deliver Network Banking, and work is progressing internally to create a winning proposal for delivery of Network Banking services at the counter.

- In addition, the P.O. is investigating the potential for the creation of a network of ATMs as part of the Network Banking strategy. We are working with ICL Financial Services to qualify and progress this opportunity.

ON-LINE MANUALS

- We have engaged with the Post Office to identify the scope of this opportunity and to help them build a business case. There is no senior sponsor for this opportunity within the P.O. at this time and this will need to be addressed. However, prior to seeking a sponsor we will try to work with our current contacts to create a proposal and business case to be progressed within P.O.

PRECISION RETAILING

- Due to the current position of the Post Office we will restrict our offer at this stage to a simple basket analysis tool linked into on-screen prompts. Our key activities are to find a senior sponsor within the P.O., and to engage with ICL Retail to identify a suitable proposal.

OBCS

- I believe there is a major opportunity to enhance OBCS. There are several areas from bar-coding of foils to enhanced fraud prevention ideas that now need to be formulated into a sales proposal to POCL for them to take in turn to the Benefits Agency.

CURRENT CRITICAL PROBLEMS

- The Head Office staff in the Post Office need to be given rules of engagement for working with ICL on new opportunities. This needs to be put in place a.s.a.p. We are progressing this with Dave Miller and Dave Smith of the Post Office.

Implementation Report

ICL Pathway	**Implementation**	Ref: PA/REP/039
	Monthly Report	Version: 1.0
		Date: 15/07/99

Implementation Report

MONTHLY SUMMARY

- All Implementation programme milestones were achieved during the reporting period and, despite the additional activity required for the evaluation of new outlets to clear the balancing acceptance incident, the project remains ready to commence national Rollout in August this year. There is one risk to the start of national Rollout, described fully in Current Critical Problems below, relating to incomplete preparations by our supplier Workplace Technologies. However, it is believed this risk is being successfully managed such that the threat is minimised through the agreement of an action plan of corrective and preventative measures which is already underway.

- Up to 25 new outlets will have the horizon system installed during July and National Rollout installations will commence fully in August. The national Rollout programme for awareness, training, ISDN installation and scheduling is already well underway with the first eight weeks of rollout being released for scheduling.

PROGRESS

- Recruitment against the agreed Implementation headcount profile has progressed and is on track to achieve the resource levels necessary to support National Rollout. Current team size is 88 staff with 17 permanent vacancies outstanding although recruitment for these positions is at an advanced stage.

- The infrastructure rollout programme, designed to ensure outlets are ready for installation, continues to make progress. Improvements have been observed in the number of outlets that are reaching RFI status each week, following the management actions reported last month. Levels are still running below target although further increases are expected. Improvements in the modification process have already delivered increases of up to 15 outlets per week at the modification stage and this will, in time, lead to more outlets completing RFI each week. A further increase of 15 outlets per week is anticipated from week commencing 19th July when the second stage takes effect. Up to 283 outlets previously suspended from the infrastructure programme due to modification costs being greater than financial limits have now been released for scheduling. Of these 48 will re-enter the programme in the weeks commencing 12th and 19th July. This will continue at a rate of 25 outlets re-entering the programme each week.

- Priorities for the Implementation team this month have focussed on assessing the readiness of the project to commence National Rollout and the need to install and train up to 25 new outlets for the evaluation of system and training improvements. During the month agreement with POCL has been reached on a revised profile for National Rollout, addressing customer concerns relating to the maximum planned installation rate.

- During Live Trial, POCL have expressed significant concern over the Horizon system balancing capability, training in cash account balancing and the ability of the Horizon Systems Help Desk (HSHD) to address outlet manager concerns over balancing. POCL are convinced that the planned 300 a week maximum installation rate for rollout cannot be sustained without significantly reducing the concerns over balancing. Pathway have therefore agreed to a POCL proposal to evaluate the effectiveness of system, training and procedural improvements, all relating to balancing, in 25 new outlet installations. A plan to undertake this additional work has been agreed, with effort being made to minimise the impact and risk to the preparations for National Rollout. Training for these outlets will take place in the week commencing 12th July and all installation will be completed in the week commencing 19th July. Evaluation of the effectiveness of the changes and the ability of the HSHD to support outlets will then be measured against agreed success criteria during the remainder of July and August. Successful demonstration of the effectiveness of these improvements will be the final element required for National Rollout release authorisation in August 99. The National Rollout programme will then commence in earnest in late August. Dry runs of the revised training course have indicated initial customer satisfaction with the changes made to the counter managers training course and the installation of the new 25 outlets are currently on schedule.

- Preparations for National Rollout continue to make good progress, despite the need to introduce the unplanned evaluation installations described above. Training course improvements for all courses are on schedule, revisions to migration tools and procedures are nearing completion and supplier preparations have been reviewed and are considered to making adequate progress. POCL have agreed to start scheduling the first 8 weeks of National Rollout with a fortnightly review to release future weeks into the programme. Outlet notifications, training and installation schedules for these early weeks have rollout are now well underway. There are no known issues that currently pose a threat to the commencement of National Rollout installations.

- Supplier negotiations have made good progress during the reporting period with agreement being reached with POCL relating to the HFSO In Office Data Migration service. ICL Training Services are the only Implementation Supplier with significant outstanding contract re-negotiations to be concluded. Meetings to progress this are planned for the week commencing 19th July 99.

ICL Pathway	**Implementation**	Ref: PA/REP/039
	Monthly Report	Version: 1.0
		Date: 15/07/99

IMPLEMENTATION WEEKLY STATISTICS

(For week ending 9th July 99)

- Note: In the next reporting period the installation programme will begin making progress and statistics to measure this progress will be available. The format below shows how achievements will be reported.

INFRASTRUCTURE PROGRAMME

Activity	This Week	Cumulative
RGM letters issued	326	15,644
MIB events held	9	324
MIB attendees	318	15,054
Site surveys undertaken	297	12,381
Site re-surveys required	137	4,730
Site re-surveys undertaken	88	4,316
Site modifications done	100	2,685
Site preparations done	247	5,861
Sites RFI	247	5,861

INSTALLATION PROGRAMME

Activity	This Week	Cumulative
Outlets Committed	400	1,250
User Awareness Events Held	4	5
UAE Attendees (Outlets)	TBC	TBC
ISDN Lines installed	0	0
Training Events Held	0	0
Trained Users	0	0
Sites Installed	0	0
Sites Migrated	0	0
Live NR2 offices	0	299

CURRENT CRITICAL PROBLEMS

- Satisfactory progress has been achieved on the two critical problems identified last month. With the co-operation of Workplace Technologies, issues raised in the 16 inspection sites have been cleared to the customer's satisfaction and acceptable reassurances over Pathway's ability to prevent reoccurrence have been provided. Agreement has also been reached on a revised rollout profile, addressing customer concerns over the rollout peak installation rate.

- There are currently a large number of outlets where preparation activity is incomplete or the status of outlets declared Ready For Installation (RFI) is in doubt. Responsibility for this rests with the supplier responsible for surveys and preparations, Workplace Technologies (WT). This matter has been brought to the urgent attention of the Managing Director of WT and an action plan of corrective and preventative measures has been put in place. Weekly reviews of progress against this action plan have highlighted weaknesses in WT processes and sub-contractor management. This has been recognised by WT and they have implemented immediate process changes, corrective action and the addition of extra staff in key areas to achieve quick resolution of the issue and to remove the cause of the problems. It is anticipated that a significant improvement on this matter will be achieved within 4 weeks. In the meantime WT corrective action has been prioritised on those outlets which enter the installation rollout programme first to ensure there is no knock on effects to the installation schedule.

ISSUES

- A significant number of suspended outlets still require resolution and re-scheduling into the infrastructure programme. Additional scheduling resource has been recruited in order to facilitate this and suspended outlets are now being released for scheduling. It is anticipated that progress will improve on this issue gathering pace over the next two months.

- Software enhancements and bug fixes to the Rollout Database tool suite, although underway, will not be complete until the end of November '99. Priorities in the Development directorate will prevent an earlier completion date. Consequently, it will be necessary to make use of manual communication and data transfer mechanisms until such time as the work is complete. The lack of full RODB functionality presents a risk to the National Rollout process although the risk is minimised by the use of manual processes that have already been proven and the fact that National Rollout does not hit peak rates until after RODB development is completed. A number of our suppliers have expressed their concern in this area. An additional project manager has been assigned to manage Implementation issues relating to the RODB.

- Little progress is currently being made for outlets where there are difficulties providing a workable solution. These include outlets requiring portable systems, trolley solutions and outlets where ISDN capability is unavailable. Efforts are underway on each of these issues to identify a solution but this will require more effort to prevent them becoming critical items in the future.

- There is a concern at the level of outstanding call resolutions at the Rollout helpdesk which rose for the first time last week. Additional resource being introduced to the IP teams should help to close these items down and the trends will be monitored over the coming weeks to track progress.

- Rationalisation of regional management within POCL impacts the Implementation team accommodation requirements in the field and will necessitate the provision of accommodation for the Pathway regional teams and additional IT support. This is being progressed with Site facilities.

COSTS

- Agreement on the revised rollout profile with POCL has been achieved in line with the codification of the Heads of Agreement. This will however attract a financial impact from our suppliers that will need to be consumed within the Implementation budget. Aggressive cost management is underway to minimise this impact.

- The evaluation of 25 additional offices in July 99 to clear an acceptance incident around the subject of outlet cash account balancing, will attract a financial impact relating to the unplanned need to install and migrate sites during July. This is currently being assessed.

- The ICL Training Services contract is the only remaining supplier contract requiring significant re-negotiation to bring it in line with current requirements. Negotiations on this will attract a financial impact that will require strong management to minimise costs. This exercise will begin during July.

Organisation & Personnel Report

ICL Pathway	**Organisation & Personnel** **Monthly Report**	Ref: PA/REP/039 Version: 1.0 Date: 15/07/99

Organisation & Personnel Report

MONTHLY SUMMARY

- Recruitment activity was concentrated on satisfying the recruitment needs of Implementation in preparation for National Roll-Out. There was also significant activity with regard to the redeployment of staff and the release of Freelancers as part of the "cost down" process.

PROGRESS

- Appointments in June:

External Recruits	3
Transfers	0
A&TC	4
Linkwise	0
Freelance	5
Temporary	0
Total:	12

- Known joiners:

External Recruits	7
Transfers	0
A&TC	4
Linkwise	0
Freelance	0
Total:	11

- Offers outstanding:

External Recruits	2

PROGRESS

- Joiners in June were significantly down on the average run rate of previous months. Some Freelancers were taken on although this will now stop as a consequence of the decision to fill vacancies only with ICL employees.

- A number of actions were put in place to support the cost down process:-

  1. The recruitment of Freelancers was stopped. Any recruitment has to be via A&TC and only if they cannot find a suitable person would external, permanent recruitment be considered.

2. Managers have to identify freelancers within 6 weeks of the end of their contract and submit a Recruitment Authorisation Form to the Personnel Department. This must be accompanied by a detailed role specification. This will allow A&TC the best opportunity to recommend suitable candidates to replace the freelancer. A reasonable handover period will be allowed, though this must be as short as possible while still ensuring the work is effectively carried out.

3. All requests to recruit have to be ultimately authorised by the Managing Director. Managers should make comprehensive efforts to carry out the work within existing resources before requesting additional people.

- Progress on cost down is as follows: A significant proportion of active vacancies have been withdrawn. The significant area of continuing recruitment is in Implementation. 12 freelancers were released in June. 8 members of ICL Pathway staff were redeployed. 2 filled vacant positions in Customer Service, 1 filled a vacant position in Implementation, 2 replaced Freelancers in Development, 2 moved into Acceptance to provide short term support in this area and 1 transferred into A&TC.

- 14 new positions were approved in Implementation in preparation for Roll-Out. 13 offers were made in June (8 offers for positions approved in April 1999 and 5 offers for positions approved in June 1999). In total there are 17 vacant positions in Implementation and recruitment activity will be focussed on this area until they are filled. A&TC have been key in resourcing Implementations requirements.

- The implementation of the salary review was delayed until July, as a result of an ICL wide initiative. In general people understood the requirement for this action and there were no obvious repercussions.

- The format of the 1999/00 bonus schemes was agreed and employees will be informed early in July. There will be significant work involved to ensure all staff have logged objectives by the end of July and to ensure they understand the principles of the scheme.

- Members of the Project Management Professional Community were encouraged to complete their assessment forms. By the end of the month, however, only 3 had been completed.

- Work took place to satisfy business demands for space at ICL Pathway sites. The most significant issues are at FEL01, BRA01 and accommodating Implementation employees in regional locations.

CURRENT CRITICAL PROBLEMS

- The focus on Cost Down initiatives involves a significant investment by all managers within ICL Pathway. The new procedures must be enthusiastically adhered to in order to allow the necessary cost saving to be achieved.
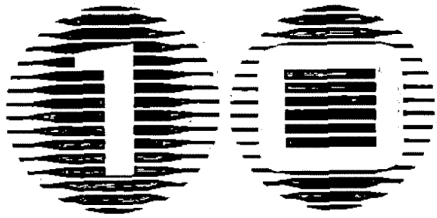
Post Office Client Report

The Post Office - Client Director's Report

MONTHLY SUMMARY

- ICL's first joint bid with Post Office: SSL's Call Centre Bureau capability has been included in the ICL response to CCTA Framework procurement for a wide range of telecommunications services for the public sector.

- MC have been given a second yellow card by IT Services for poor service in desktops supply.

MODERN GOVERNMENT

- Internal work progresses on establishing local/regional government requirements for card-based services which could utilise Post Offices - this work will be taken up with Customer Management Business Unit CMBU as soon as they allow a meeting. Engagement has in fact already started via the CCTA GTC Government Telecommunications Framework Contract bid. CMBU's (formerly SSL's) callcentres capability is in ICL's response for Bureau Services, in which Post Office would act as a subcontractor to ICL.

1999 BUSINESS

- Business figures not available this month.

CURRENT CONTRACTS

TECHNICAL RESOURCES SUPPLY/ ICL ONSITE CONTRACT

- OSD have now appointed two on-site staff at Chesterfield to manage this contract, although the transfer of contract ownership from CE to OSD is still being negotiated. The work packages element ("ICL Onsite") will be managed by Caroline Simcock.

ONE STOP SHOP

- June revenue at £2m, ahead of forecast. However poor service has led to MC being given a second yellow card by PO. One more and the contract is terminated.

NEW BIDS

SERVICE MANAGEMENT TOOLS

- Following selection of shortlisted suppliers ICL, IBM, DMR and completion of reference visits, PO have invited ICL to negotiate a contract.

SPICE

- "Securing the Post Office's Integrated Commercial Environment": a broad ranging invitation covering Customer Contact, Customer Relationship Management and data warehousing. The RFI response was submitted 11th June. ITT will be issued to selected suppliers 2nd August. This requirement has appeared very early for ICL's embryonic CRM capability and we are reviewing how best to progress, assuming we achieve the ITT list.

REMOTE ACCESS

- No bid - specific requirements not in ICL portfolio.

LAN NETWORKS

- Supply, service and maintenance of components for 2,000 LANs, mainly around CISCO equipment. Following some anxiety a bid was delivered by MC at the last minute.

HELP DESKS

- Having been alerted by PO IT Services that an OJEC ad was imminent, we arranged for the OSD specialists to meet the IT Services Help Desk Manager Glen Bladon and his procurement PM. The ad is now in the Journal and OSD are assembling the first response.

ACCOUNT DEVELOPMENT

- A series of new contacts have been established with PORG and latterly ParcelForce. PORG are leading PO's smartcard thinking, will be procuring a PO-wide campus card system, and are leading research into PO-wide internet/ebusiness. ParcelForce have specific interest in exploiting their top customers Extranet for other commercial purposes. PORG and Group IS/IT are also following up interests in establishing how the Pathway infrastructure can be exploited alongside PO's own infrastructure.

COST DOWN

- No change.