

BIRD & BIRD

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MEMORANDUM

Legally Privileged and Confidential

TO: Peter Mathison, BA

CC: Rod Clark, DSS
Ken Davenport, BA
Vince Gaskell, BA
Sarah Graham, DSS
Stephen Hickey, DSS
Craig Lewis, DSS
Marilynne Morgan, DSS
Ron Powell, DSS

FROM: Hamish Sandison, Bird & Bird *HS*

DATE: 25 May 1999

RE: **DSS/POCL/ICL AGREEMENTS**

Partners

D Harris
G E Camps
D M Gaythwaite
T M Cook
R N Scott
P J Christie
P Smith
D W Byam-Cook
G J H Smith
J R K Walley
D Kerr
M Macdonald
D M C Stone
C W Rees
P D Quinn
H R Sandison
D H Ayers
R J Ward
C M Crosthwaite
N T Jenkins
R M Bickerstaff
S K Topping
T C G Tether
H E Pearson
V S A Crook
T R D Asserson
J Stannard
C J R Barrett
D C J Cook
J M Gynell
M R Hafke
G Powell
A J Sanderson
H J Rubin
J W Baker
P R Brownlow
I D Hunter
F A Reeve
J Sims
P C Dally
R H Butterworth
N S P Blundell
R W Fawcett
J P Hordies
A Maqua
C Ghosh

Consultants

K T C Arnold
S N E Chaitin
P J Dann
R F Fawcett
Dr I N Walden

KAB/POCL/001/MEMO/MATHISON/M02

*not a solicitor

*Avocat registered
in Brussels and Paris



INVESTOR IN PEOPLE

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DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone GRO

Strictly Private and Confidential

24 May 1999

Keith Todd
Chief Executive
ICL plc
26 Finsbury Square
London
EC2A 1DS

Dear Mr Todd,

POCL, ICL Pathway, ICL and DSS have been negotiating, with the assistance of HM Treasury, the withdrawal of DSS from further involvement in the Project and certain material amendments to the existing contracts between POCL and ICL Pathway. As a result of these negotiations, DSS and ICL have agreed that DSS will withdraw from further involvement in the Project on the basis that the claims of each party against the others will be settled on the following terms:

1. Subject to the transitional arrangements substantially set out in the Schedule to this letter (the "Transitional Arrangements"), the DSS Agreement is hereby terminated (thereby cancelling the Benefit Payment Card-related Services) and ICL Pathway and DSS release all obligations and waive all rights they have in respect of each other under the DSS Agreement, save that provisions in the DSS Agreement stipulated to survive in the event of termination or expiry shall continue in full force and effect. ICL Pathway agrees to assist with the transitional arrangements. The DSS shall pay ICL Pathway for such assistance, at its option to be irrevocably exercised within 14

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days from the date hereof, either:

- (a) ICL Pathway's auditable time and material charges (as set out in paragraph 20.1 of Schedule A6 of the Authorities' Agreement which shall be expanded to include ICL Pathway's rates for senior management and consultants and to clarify that all ICL Pathway's reasonable expenses connected to the Transitional Arrangements may be recovered); or
- (b) a fixed price of £10 million, which shall not be audited;

provided that the transition is carried out as speedily as reasonably practicable but in no event longer than 8 weeks and payment is made within thirty (30) days of receipt of invoice following the completion of the Transitional Arrangements. The parties shall co-operate in good faith with each other, and with POCL, to give effect to the principles set out in the Schedule to this letter.

- 2. DSS withdraws from the Authorities' Agreement with immediate effect. ICL Pathway and DSS release all obligations and waive all rights they have in respect of each other under the Authorities' Agreement, save that provisions in the Authorities' Agreement stipulated to survive in the event of such withdrawal shall continue in full force and effect. Where any Related Agreement requires that the consent, approval or agreement of DSS is obtained (whether in respect of a change or any other matter whatsoever) that requirement shall cease and be of no effect as from the date of this letter.
- 3. The terms of this letter shall be in full and final settlement of all claims and counterclaims which any of DSS, ICL and ICL Pathway (in this paragraph the "Parties") may have against any other of them under or in connection with the Related Agreements arising from or in connection with acts or events which occurred or should have occurred, or statements that were made on or prior to the date of this letter (whether or not such have been made the subject of a claim or counterclaim at the date hereof). Each of the Parties hereby waives any rights whatsoever which it might have against any other Party arising from or in connection with such acts, events or statements.

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4. Each party agrees to keep confidential and not to disclose to anyone else the existence or the terms of this letter or the negotiations relating thereto (together "Confidential Information"). Notwithstanding the foregoing, any party may disclose Confidential Information:
- (a) if and to the extent required by law;
 - (b) if and to the extent that the other parties have given prior written consent to this disclosure;
 - (c) to its professional advisers;
 - (d) to HM Government, the National Audit Office or Parliamentary Committees;
 - (e) if and to the extent that the Confidential Information is in the public domain or falls into the public domain without breach of any applicable confidentiality obligation (including this paragraph);
 - (f) to POCL;
 - (g) to Fujitsu;
 - (h) to potential arrangers of funding for the Project; or
 - (i) if and to the extent necessary to be disclosed for the purpose of arranging and maintaining funding generally for ICL and/or ICL Pathway.

In the event that Confidential Information is disclosed by any party to its professional advisers, that party shall procure that its professional advisers comply with the restrictions contained in this paragraph, mutatis mutandis.

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Words and expressions defined in the Related Agreements shall have the same meanings when used in this letter.

Yours sincerely

Signed for and on behalf of the
Secretary of State for Social Security

By:

GRO

Name:

PETER MATHISON

Title:

Chief Executive Benefit Agency

Date:

24/5/99

We hereby agree the terms of the above letter
For and on behalf of ICL Pathway Limited

By:

GRO

Name:

R. CHACKO

Title:

ALTERNATOR

Date:

26/5/99

For and on behalf of ICL plc GRO

By:

GRO

Name:

R. CHACKO

Title:

Autonomous Signing

Date:

26/5/99

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WITHOUT PREJUDICE & SUBJECT TO CONTRACT



"SCHEDULE"

MEMORANDUM

To: Bruce McNiven
Tony Oppenheim

From: Vince Gaskell
Project Director

Copy: Sarah Graham
Hamish Sanderson
Ron Powell
CCPB Members
CAPS PET

Date: 11 May 1999

Issue: Removal of Child Benefit Customers from Benefit Card Payment

Timing: Immediate

Action: For Response

Further to discussions last week regarding the removal of Child Benefit Customers from Benefit Card Payment, I undertook to provide you with some further details on the CAPS view of how this might be performed.

In order to successfully remove all customers from Benefit Card Payment, ensure continuity of benefit payment and avoid adverse publicity full co-operation would be required from ICL Pathway, POCL and DSS. In order to be fully prepared, should a decision be taken to remove customers from card payment, we would recommend that early meetings are held with all three parties to:

- understand the overall framework for the removal of customers;

- develop and agree the detailed processes which need to be undertaken;

- develop and agree a testing and implementation plan, which would be used to remove customers from card.

Attachment 1 provides a high level framework which indicates the key business processes that we understand would be involved in the removal of customers from card. The framework focuses primarily on those activities which we have identified as necessary to effect removal. Further work will be required by all three parties to develop the detailed activities which need to occur and to ensure that we have a co-ordinated communications approach across the programme.

sr/er

Page 1
10 May 1999

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Attachment 2 is an indicative plan highlighting the key business process steps which we understand would need to be undertaken. The plan assumes that the approach we adopt would:

Notify customers in advance that they are about to experience a change in their Method of Payment. They should not find out about the change by being unable to use their Benefit Payment Card;

Not disrupt benefit payment to customers;

Be rehearsed in an agreed manner in advance, to prove the removal of customers.

I would appreciate it if you could let me know by tomorrow who we should be talking to to start working up the framework we have provided into more detailed business processes and adding any issues you have identified as necessary. I would hope that a meeting could be organised between those people on Thursday of this week or earlier if possible.

GRO

pp

VINCE GASKELL
ROOM B2506D
DSS, LONGBENTON
TEL:
FAX:

GRO

Attachment 1 – Framework Process for the Removal of Child Benefit Customers from Benefit Payment Card

The following process is an indicative framework for the removal of Child Benefit Customers from Benefit Payment Card. The framework is intended as input to more detailed discussions with Horizon and ICL Pathway which would define the more detailed processes which would be required to underpin the approach.

1. Framework

The framework consist of the following key steps:

- 1.1 Horizon, Pathway and the DSS would all agree to the removal of customers from benefit payment card.
- 1.2 Horizon, Pathway and the DSS would be responsible for communicating this decision within their own organisations and for agreeing communications to wider audiences.
- 1.3 On a date to be agreed, the Child Benefit system would invoke their business continuity switch. This switch would prevent new customers from being paid by benefit payment card. In addition, it would also result in renewal payments becoming subject to a change of method of Payment (MOP) at the point of renewal.
- 1.4 The Child Benefit Contingency scan would be invoked to identify customers who are currently being paid by card. These details will be used to write to customers.
- 1.5 Child Benefit Centre staff would write to all customers in receipt of card payment to notify them that their MOP will be changing. The date at which payment by card will become unavailable will be notified to the customer. This is known as the 'stop safe date'. If customers do not encash their payments before this date, then card payment will not be possible and payment will subsequently be made by order book.
- 1.6 Child Benefit staff would alter the MOP from the 'stop safe date' to order book using a series of dialogues.
- 1.7 After an agreed period of time, a scan would be run of CPCS. This is known as the intermediate scan. The scan will identify all card customers who have outstanding/uncollected card payments and output details of such customers and the payments involved to Child Benefit Centre.
- 1.8 Reminder letters would be sent to those customers identified by the intermediate scan. The reminder letters would be produced by Child Benefit Centre and sent out.
- 1.9 At an agreed date, CAPS and Pathway would stop sending and receiving files. At the same time, the Post Office would be required to prevent all further encashments by card from being made.
- 1.10 A second scan of the CPCS (the Final Scan) would then be run to identify card customers with outstanding/uncollected payments. This scan would :

Identify all outstanding card payments

Amend the status to expired

Issue a schedule detailing the outstanding card payments

Ensure that PACS and FCS are notified that the card payment has not been encashed

2. Assumptions

- 2.1 CAPS, Pathway and Horizon will work together to build up a more detailed assessment of the underlying business processes. Business processes to consider would include card replacement, change of circumstances and new claims processing during the period of customer removal.
- 2.2 The process of removing customers from card will be rehearsed, as appropriate, prior to implementation in the live environment. All three parties will be involved in the rehearsals to ensure continuity of benefit provision.
- 2.3 ICL Pathway continue to run their systems during the period of customer removal, and for a short period after the removal of customers to effect final reconciliation.
- 2.4 The period of removal of customers from card is less than 91 days. If the period is greater than 91 days, then some of the activities in the framework may become redundant.



DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone **GRO**

24 May 1999

Stuart Sweetman
Post Office Counters Limited
King Edward Building
King Edward Street
LONDON
EC1 1AA

Dear Stuart

"CONTRACT B"

In order to enable the DSS to sign its settlement letter with ICL Pathway and ICL plc as part of the overall Ministerially sanctioned settlement between ICL and the public sector parties, I am writing pursuant to paragraph 3.1.1 of Schedule 18 of Contract B to seek the consent of POCL to the termination of the DSS Agreement between the DSS and ICL Pathway. In addition, I am requesting your acknowledgement for the avoidance of doubt that POCL consents to the withdrawal of the DSS from the Authorities' Agreement between the DSS, POCL and ICL Pathway Limited.

Yours sincerely

Signed for and on behalf of the Secretary of State for Social Security

By: **GRO**

Name: *PETER MATTHISON*

Title: *CHIEF EXECUTIVE BENEFIT AGENCY*

Date: *24/5/99*

Agreed for and on behalf of Post Office Counters Limited

By: **GRO**

Name: *S. J. SWEETMAN*

Title: *Managing Director*

Date: *24/5/99*

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