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Secretary of State

From: Sarah Graham PFD Sp Proj

Date: 10 December 1998

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BA/POCL AUTOMATION PROJECT

<u>Issue:</u>   **Suggested letter for you to send to the Chief Secretary and colleagues, giving initial reactions to the ICL proposals.**

<u>Timing:</u>   **If you decide to send a letter, you will wish it to reach colleagues for the weekend.**

1.   I attach a draft for your consideration, as discussed at our meeting this morning.

2.   The meeting with officials from other departments and the Post Office this morning did not throw up any new information which might suggest you need not after all send such a letter.

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TAS IS/IT WORK STRAND

1. This note gives a brief account of the current status of the IS/IT Work Stand of the ASP.

2. The <u>context</u> for TAS IS/IT has been set by a positioning paper on IS/IT strategy. This is not a signed-off strategy - questions about the future business vision of TAS need to be firmed up and the positioning paper needs to take further account of DSS corporate IS/IT strategy. The former task awaits the arrival of the CE; Steve Willis from ITSA is helping with the latter.

3. The 'IS Tactical Plan' and 'Tactical Plan Business Case' set out the full range of IT developments over the next 12-18 months across all ITS systems. This remains in draft, but the first draft was welcomed by ITSA as "excellent", the business case seems satisfactory to the DMA QA team and these documents form a sound basis for detailed plans.

4. Not all the proposed system developments are critical to the process changes required for DMA go-live. Some are changes to support systems - e.g. the Central Database will help to support claims processing by providing TAS with the ability to change letters and business rules but the precise date of introduction is non-critical. The current Bristol Claims Database is not Y2K compliant and not suitable for upgrade to cope with DMA requirements for panel members fees and expenses. Even when releases are critical to DMA go-live not all need cluster around the 1 June deadline. DMA Phase 3 contains housekeeping measures (e.g. easier deletion of cases from the GAPs system) and will be introduced <u>after</u> 1 June. DMA Phase 1 contains the IT changes to support process changes for DMA being introduced <u>prior</u> to 1 June (case codes; new registration procedures).

5. Detailed plans for IS/IT implementation have been agreed with the supplier, SEMA. All involved in the delivery are confident planned delivery dates are viable. There is certainly a wide enough window for IT development - the entire ITS GAPs system took 6 months from design to implementation. DMA involves some <u>comparatively</u> minor changes to that system. At present, a business study for DMA Phase 2 is underway in SEMA. A contract will shortly be signed for DMA Phase 1.

6. Finally, should dates be missed, detailed contingency plans are being drawn up for clerical work-arounds for CSA cases and BA pathfinder benefits, on the basis of the existing GAPs system. The aim of the project is, of course, to ensure that these contingency plans remain on the shelf!

7. There are of course risks: for historical reasons, GAPs is written in Informix, a language in which programming resources are scarce (we are effectively in competition for the services of our supplier); and as Project Manager, I will certainly feel happier when the DMA Phase 2 Business Study is completed (in January) and contracts there too are on the verge of signature.

8. At present I would rate the IS/IT risks to the ASP as no higher than medium. Both the ITS Project Office and the HQ Project Support Team will

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BA/POCL AUTOMATION PROJECT: LETTER FROM SECRETARY OF STATE TO CHIEF SECRETARY OF THE TREASURY AND OTHER COLLEAGUES

1.   Keith Todd has written to me with a copy of the letter he sent you last night, setting out ICL's final offer in response to your letter of 20 November. I understand that this letter constitutes the essential components of the proposed offer, on which ICL are not prepared to move further; and that this letter is underpinned by 3 supporting papers on acceptance testing, funding, and commercial proposals (ie. pricing etc) on which they say they are willing to negotiate the detail.

2.   In preparation for our meeting on Monday, you and colleagues may find it helpful to have my initial reactions to the proposals as I understand them.

3.   The main element of the ICL offer which appears to be new, is Fujitsu "support" for the £600 million that may be needed to fund the project over its life. If this is to be of value, Fujitsu must be prepared to give a firm guarantee that can be legally enforceable. Anything less would leave the Government very vulnerable should the project fail for whatever reason. I would certainly want to be clear about the nature of the Fujitsu commitment when making our decision on Monday. We would also need to establish more clearly what the implications of this support would be for the level of risk now being accepted by ICL under this proposal.

4.   Secondly, this revised ICL offer does not make any significant change to the 9 November proposals, which we rejected, in the overall balance of expenditure on the project between the public sector and ICL: ICL are still taking a paper loss of around £100 million, and the NPV of the public sector's additional payments to ICL remain around £230 million - more than £100 million more than was offered under Corbett. On these criteria, I cannot see that their final offer represents a significant move towards the public sector position.

5.   On the specific conditions that the proposals seem to involve, I could not agree to the

- other risks in Section 1 of the attached report are for Programme Board information.

Finally, the Programme Board is asked to note the addition of a new risk to the register - on IIDB decision-taking. This is now categorised as a medium risk following action by the BA to firm up implementation plans in response to concerns about the viability of implementing DMA a difficult and complex benefit to the proposed timetable. A further stocktaking meeting on this issue has been set for 26 January and working level groups set up to take forward the implementation for these benefits.

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proposed approach to "acceptance testing". ICL persist in asking for acceptance on the basis of a laboratory test of the systems, as opposed to a live trial - particularly important when for our customers it is the service that is the crucial end product. In fact, the approach being suggested by ICL is almost exactly that followed under the NIRS2 project, where the system was fully accepted in a test environment, but did not work in the field. The history of NIRS2 tells its own story. In any event, when we are talking about a system which is affecting around 15 million people, many of whom are dependent on timely and accurate payment of their benefits for their livelihoods, the political risks are huge if the system is not tested properly beforehand to make sure it works. This is a risk I am not prepared to take.

6.   In discussing on Monday how best to proceed and deciding our route forward, it is worth noting that the project timetable has slipped yet again. The first milestone to arrive since the timetable was last reviewed (as recently as October, in the course of the Corbett discussions) is just about to be missed. There will be knock-on effects on the overall delay to the project of at least 2-3 months, but in practice likely more, given that by then we begin to bump up against the Millennium, with the IT priorities that involves. This does not bode well for the grasp that ICL have of a realistic timetable. The final implementation of the project now looks unlikely to be achieved before the end of 2001; and by that date we could already have made significant in-roads into our programme to introduce an ACT-based system - for example paying up to 50% of our 20 million customers by ACT and bank accounts, with related administration and programme savings, potentially reaching £200 million.

7.   Finally, we should remind ourselves of how much this project has already cost Government, and the total bill with which we will be faced if we accept the ICL proposals. My Department alone has estimated its losses to date at more than £300 million: and in agreeing to consider Option 1 as proposed by Corbett, we are in effect foregoing £800 million savings in the welfare administration bill we could otherwise have achieved over the next 10 years.

GRO

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misconceived appeals: discussion ongoing with CSA to reach final list of misconceived appeals. An issue of great concern to Welfare Rights groups. No delay so far caused to other deliverables.

Corporate Guidance Part I. drafting done as far as possible. Some policy issues still unresolved (where second-tier regs not finalised) but arrangements in place for final QA early next year.

final draft regulations: decision-making and appeals. See discussion under "risks" below.

4. Risks and Issues

A full risk register is attached. Risks drawn to the attention of the Programme Board this month for discussion are set out in Section 1.

Key risks for discussion include:

- position on regulations. The **position** is that a draft of first-tier regulations has been issued to Agencies which is final for planning purposes and a joint draft package on decisions and appeals was discussed by the Ad Hoc Group on 9 December. A revised timetable has been circulated for regulations on appeals procedures - we are confident of keeping to this. Timetables have been prepared for transitional and consequential regs. The **residual risk**s are: (i) that change requests will emerge between now and the date that regulations are laid: (ii) that change requests will emerge from debates in Parliament on the regulations: (iii) that fresh issues will emerge when full timetables for the work on regulations are issued. The **action** we are taking will be (i) to ensure that issues are resolved without the need for change to baselined Agency plans and process designs; (ii) to ensure a smooth passage for the regs through the Parliamentary stages; (iii) to issue full timetables for the regs as rapidly as possible, resolving issues around the relative timing of our regs and the Bill to transfer CA to IR;

- BA notifications. Norman Haighton/Tony Cooper to update the Board verbally on progress/state of play - in particular, in relation to progress in relation to work on clerical notifications building on the work on the DMA(A) team;

- ITS Backlog Strategy: paper attached from Jane Durkin.

- LCD timetable for recruitment of panel members. LCD have alerted ASPB to slippage against timetable for recruitment of panel members and have proposed a revised timetable, discussed at ASPB on 10 December. Board concerned that revised timetable puts final recruitment of part-time and new panel members too close to main go-live dates. LCD unable to attend ASPB meeting, so DMA will pursue the issues through bilateral discussion;

- TAS IT strand: paper attached from William Jordan