

ICL Pathway
Bringing
Technology
to Post Office
Counters

**Monthly
Progress
Report**



February 2000



ICL Pathway

Programme Monthly Report

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Approval Authorities:

Name	Position	Signature	Date
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ICL Pathway Monthly Progress Report

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Managing Director's Summary

Managing Director's Summary

PROGRAMME PROGRESS

- As reported last month, a new era has begun.
- Roll-out is on track. We have now exceeded 4000 post offices and are achieving the targeted 300+ implementations per week. This is a tremendous performance and hides mass planning and management involving numerous suppliers, large scale logistics management and line management of the activities of over 1000 people. Each individual implementation includes environmental and technical infrastructure, training by Knowledge Pool and complex technical installation. It requires good project relationships with PO, which are being achieved.
- The key roll-out Powerhelp system is on Alert suffering from system performance and network problems. This is a risk to roll-out and OSD are assisting in the resolution.
- The major PC issue reported last month has been managed successfully and we have now contracted to Seimens FJ for a last time buy of approximately 14000 of the X365 existing model. To achieve this, FJ will be reopening the production line. We are very grateful for their support and help on this issue. As a result the Business Plan is derisked in this area.
- Post delivery service is also in good shape and we have had our first full post acceptance service review with PO, which went very well indeed. Weekly service performance is being closely monitored and generally shows encouraging trends. This will continue to need close scrutiny as the business plan costs are predicated on defined levels of service performance (eg no. of calls at £16 p call) and LD payments. A small variance in call performance or reliability can make a huge difference to the cost base over the life of the plan.
- Development of CI3 is on track and VPN is now being rolled out successfully. CI4 is behind where we would like it to be and is being tightly managed through this critical testing phase.
- We had a successful month from a financial perspective, being better on cost, cash and revenue forecast. Much effort is now going into establishing detailed baseline financial and operational budgets for 00/01 that are back to back with the Business Plan. This is a complex task at this stage of roll out and development with so many unknowns and variables. However it needs to be done to ensure that we are on track. Personal Objectives will then be set against these Budgets.

- Headcount management remains a big issue. We are now entering a vulnerable phase where we are highly dependent on key skills and motivation but at the same time need to manage the start of a heavy cost down program. This is also in an environment of IR35 and many unknowns about new business opportunities such as Network Banking and Project ERA. The Business Plan also assumes a significant shift from freelance to ATC heads. It will need tight management and the availability of the right skills.

PROGRAMME UPDATE

NEW BUSINESS

- Now that Acceptance has been achieved and National Roll-out and Customer Service are seen by PO as going well, there are positive engagements now starting on new business. Following the successful joint Director level team meeting with PONU on 8th February we are in joint working groups/discussions on Network Banking, ERA, Service Development Plan and Quick Wins.
- We have also engaged with PO regarding me.gov and have achieved their agreement in principle to join the ICL consortium. This helps to give a potential winning position against BT and is further evidence of a more positive attitude from PO.

NETWORK BANKING

- Post Office issued a Request for Information to the marketplace in December. We submitted a comprehensive ICL response utilising Horizon at the counter/network with a Lifestyle Banking backend interface to the banks. ICL FS has been shortlisted for the backend (6 suppliers in total) and we need to qualify this opportunity carefully. We have made good progress towards getting Pathway defined as the nominated contractor for the counter and network. We are now engaged in a 3 week joint working group with PONU and PONB (Network Banking) to narrow down their options for the ITT which is due in April. This will involve confidentiality commitments from Pathway, ie Chinese Walls with FS.
- We are still struggling to comprehend their overall Business Plan for Network Banking, and at present their approach is technology driven.

RE-ENGINEERING/ERA

- As with Network Banking, joint activities have been proceeding at a pace and Post Office seem keen to move this forward with us. They are taking a Project Initiation Definition to their Board in April. Initial scoping suggests a £20M plus opportunity.

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FINANCE/COMMERCIAL/BUSINESS PLAN

- Please see separate report.



Development Report

Development Report

MONTHLY SUMMARY

- The CI3 release, which introduces the VPN functionality (Virtual Private Network), is progressing according to schedule. The Wigan data centre was upgraded on 26th/27th February and Bootle a few days later. Further work was successfully carried out on the live configuration on 4th 5th March and the first 10 outlets will be VPN enabled week commencing 13th March. The majority of the estate (circa 95%) will be fully operational by 7th April.
- The network/router upgrade is still scheduled to take place immediately following the CI3 release. In addition, we expect to upgrade the correspondence server layer to respond to the recent increases in the peak traffic volumes. The approach proposed is also designed to address the migration to Riposte 6 and the implementation of a 3rd copy of the message store. Monitoring the live system, analysing the performance and capacity trends and upgrading the data centre configurations is a declared process in our documented scalability strategy.
- We expect to complete the final stages of system test for the main application release (CI4) during March. The business and technical conformance main pass testing comprises of 6 cycles and the first completed on schedule 29th February. The second cycle is due to commence 10th March and the third on 27th March. The initial results in terms of coverage are disappointing and a full analysis of the incident register is being conducted. Early indications are that we encountered more interface and integration issues than anticipated. POCL testing comprises of three end to end cycles and a user confidence test and starts on 10th April.
- Good progress has been achieved with the CSR + migration process, the mobile and satellite solutions and the production of additional 365 PC's. The number of major issues now facing the programme has reduced considerably but we must not allow ourselves to become complacent.
- The difficulties associated with recruitment and the potential loss of certain key individuals is still a major concern for the immediate future. The problem is exacerbated by the absence of new development work, although the recent signs from POCL look promising, and the introduction of IR35 legislation for freelance staff.

PROGRESS

- The System Test for APS, LFS, EPOSS, TPS, RDMC, Message Broadcast and KMS are now complete. The audit run for KMS is also complete.

- The audit run for APS is in progress but with some agreed omissions; notably SPM reversals, session mobility, APS recovery and file resend. SPM continues to give rise for concern and we access to the British Gas site to install a FTMS gateway has been delayed until week commencing 6th March with testing due to complete 10th March.
- The Quantum interface testing has concluded but we have not received confirmation that the system on the customer side was properly exercised. The LFS audit run is being performed whilst some enhancements are being discussed for possible inclusion later. Audit runs for TPS and RDMC are also in progress. Confirmation from Horizon that SPM and SAPADS did not use their systems during the interface tests has increased the risk that the first cycle of the E2E customer testing will fail in these areas.
- We are still experiencing great difficulty in agreeing the interface specifications for the PONU Clients. This issue has been escalated to the highest level within Post Office but little progress has been made. Further meetings with Horizon have been arranged for early March but we are not hopeful.
- The Data Warehouse is in the final stages of testing and is achieving a success rate of over 90% in the first cycle of the audit run. Changes to address issues with SLA monitoring and to incorporate the new invoicing process will be intercepted at a later date.
- The majority of the infrastructure (auto-configuration, Tivoli, audit, message broadcast, training mode, Maestro, FTMS and Network) team are now addressing bug clearance and enhancement work on CI4, the exception being the Tivoli packaging unit who are fully occupied with the CI3 implementation.
- The RODB v2.6 is holding to the revised delivery plan agreed with the implementation team. A final run of the DIT test is scheduled to take place on the live gateway in Kidsgrove 6th - 13th March.
- The CI3 (VPN) integrity testing (fail-over/recovery) has been completed successfully except for systems management of the counter migration. The latter is not due for completion until week ending 10th March.
- The B&TC testing for the CI4 release comprises of 6 cycles (4 main passes, a regression pass and an audit run). The first cycle of the CI4 release has been completed but the coverage (65%) was lower than expected. A full analysis is underway but initial indications are that we encountered a number of integration and interface problems which prevented many test being run. The next cycle is due to start Wednesday 8th March but this may be delayed to enable us intercept the latest version of Reference Data from PONU. There have been several abortive attempts to validate this data and the issue has been escalated within Horizon. If this data is not included in this cycle it will go directly into the first cycle of the customers' end to end testing.

- The counter defensive (stability) testing is now underway. The blitz test finished on 27th February and the first cycle is due to be completed by 7th March. These special tests are designed to ensure that the counter software demonstrates a very high level of robustness and stability even when subjected to unusual user behaviour.

COST DOWN

- The Technical Design Authority is seeking ways of achieving a substantial reduction in the volume of traffic across the network. If successful this will result in a significant annual cost savings for the remainder of the contract.
- We have secured a new licence agreement with Oracle for the development of future 'Host' applications for a price less than anticipated in the business case.
- The introduction of the upgraded link between the data centres from 34mbit to 155mbit has presented an opportunity for reducing cost. A full study is underway.
- The successful demonstration of the satellite solution provides a lower cost alternative to frame relay. Further work has been commissioned to identify the extent of the saving.

CURRENT CRITICAL PROBLEMS

- None

ISSUES

- Improvements to the rig building process continue to be implemented month on month but the service has still not reached the level required.
- We are currently carrying out a detailed investigation of the Service Level Agreement Monitoring (SLAM) functionality included in the Data Warehouse. It is not yet clear whether we have a contractual exposure requiring significant resources to rectify.
- PONU have recently insisted that we introduce a software interface to a new type of scales (Avery Berkel 702). These scales enable heavier packages to be weighed and are normally shared with a number of counters. This latter aspect creates several technical difficulties and we are also unsure whether we can obtain a software driver.

- We are contracted to complete the migration of all the AP Clients from the current Post Office HAPS system by the end of roll-out. In order that this may be achieved we must agree the interface specifications for all clients by the end of March 2000. Progress to date suggests that this will not be achieved even though the issue was escalated within the Post Office. Further meetings have been arranged in March.
- It is now very unlikely that the SPM (British Gas Smart Card) will be included in the CSR+ release in September 2000 due to the difficulties reported previously. We hope to gain access to the British Gas site early March but it is unlikely that we will now have sufficient time to complete the required interface testing.
- When a Post Office is temporary closed for more than 3 weeks, we have difficulty reinstating the business because much of the relevant data has been archived. Fortunately, this has not yet occurred but we are certain that it will before roll-out finishes. Further workshops are being held to determine the best way forward.

COSTS

- The development forecasts demonstrate that even with the additional development resulting from the rectification plans, costs remain under tight control and subject to regular financial reviews throughout the year.



Commercial & Financial Report

Commercial & Financial Report**MONTHLY SUMMARY**

- The drive is squarely on Budget setting for 2000/01. The objective is to have agreed department budgets tied down for April, including risk, cost down and task management actions, and a best view of business development revenues and incremental costs.
- With Project ERA and Network Banking gathering momentum, Option B is coming forward into 2000/01. The Budget we have submitted to Group thus far represents an 'Option A+' picture (Baseline Contract but retaining the capability to go to Option B).
- The focus on monthly forecast reviews, now better integrated with resource planning, risk management and the Business Case, continues. Progress is generally encouraging, with Customer Service well on top of their brief and significant progress within Development on tying down their resource plans for Option A. There is more to do in other areas before I can be satisfied that we are properly under control (I exempt Business Development for the time being because more definition of new work is still required first).
- In particular, the continuing inability to forecast costs in the month correctly (or otherwise to make appropriate accruals) is plain not acceptable. Last month, the total underspend was well over £4m in the month, half of which was in Implementation. This is the third month of major cost and cash deltas. Underspends are far better than overspends, but any deltas of this magnitude erode confidence that we know what we are doing and play havoc with cash planning. It is not good enough to assume that the deltas in month are merely phasing errors: if the assumptions are that work will complete earlier than is actually going to be the case, that poses questions about extension of subcontracts and consequently increased costs overall. This must be sorted this month, once and for all.
- The year-end position is firming. The profit forecast has been increased by a further £1m to £39m. De La Rue have confirmed that they will sign the Termination Agreement (at the amount agreed before Christmas) within a week, thereby confirming the provision release as forecast. PwC have accepted the principle of revenue accrual and the 9% profit margin for this year's profit recognition. They appear to be coming round to accepting our revenue accrual method having had more information on our Build cost profiles from Graham Wingrove. Martyn Bennett has taken them through the Risk Register/Contingency methodology and detail, and they appear comfortable.

- Successful work on risk mitigation notably includes resolution of the last time buy requirement for PCs using the existing 365. This had four beneficial effects: it removed the technical risk and the risks to roll out, it reduced the contractual commitment for counter equipment (by some 350 units), it effectively ties POCL into the 'luggable' mobile, and it reduced the buy price of PCs from FJS. All in all, worth close to £3m to the Business Case: a nice piece of work by Steve Reed. [The resolution entailed getting POCL to agree to a reduction in the contracted entitlement for counter positions and to fix for the first time the mix of gateway, single position, and 'basic' configurations. In return, we agreed to give POCL a credit note approaching £0.5m to be used for buying new services. They may also use part of the credit to increase the number of mobiles (at a premium of £720 each), but only of the 'luggable' variety with common components. We still need to raise a CCN to introduce this specification in place of notebooks. Other volume requirements (spares, test, training and help desk) were determined separately in consultation with interested parties. A final push on price secured a further reduction from FJS of 20 Euros plus a commitment to seek further component savings (EICON and Specialix cards, processor) of which 85% will come to us. The price for the 15,500 or so final buy machines is some £85 below FJS's first quote (assuming no such additional savings)].
- A relatively quiet month on the CR/CCN front. A new, official contract baseline is now available for general use, the first to have had all approved CCNs incorporated (up to November 1999) since Drop Down in December 1996! Hilary Forrest can give you driving lessons.
- Progress on time recording, essential for us to support billing on CCNs and imminently ERA and Network Banking, has been disappointing. With Propel AMS and Oracle OPA going backwards, we will need to gap fill with a manual process.

PROGRESS

- Roll out running ahead of plan – outstanding results (which just about compensate for Implementation's poor forecasting....!)
- Financial performance remains well within Plan.
- Successful risk mitigation actions, especially on PCs.
- Project ERA and Network Banking developments: Option B is taking shape now – very good news even though there will be many challenges to come.
- Better engagement with A&TC on resourcing – although plenty more still to do.

RISKS

- Generally down on last month.

ISSUES

- The need to establish 'rules of engagement' with POCL on the new business activities. Having 'conceded' three weeks consultancy as pre-sales contribution on each of ERA and Network Banking (the right thing to do to get started), the trick will be to convert the relationship beyond PID and ITT respectively to fully fee paying from then on. Not so much an issue at this stage as a challenge.
- Resourcing: we will need up to 40 more business analysts, system analysts, project manager and programme office types to support ERA and Network Banking. We are likely to need at least some of them within a very few weeks. Having waited for the curtain to go up on new business, the risk is that we will appear flat footed in responding to an excess of demand. This could be seriously damaging to our future prospects.

FINANCIAL PERFORMANCE

- The Controller's report follows.

February 2000 Finance Highlights

£000s	Month Actual	Month F'cast	Variance	YTD Actual	Notes
Revenue	25,019	24,124	895	191,636	1
Project Cash Costs	(7,599)	(12,273)	4,674	(90,662)	2
Depreciation	(1,760)	(1,779)	19	(14,749)	
Interest Cost	(683)	(680)	(3)	(10,393)	
Profit / (Loss) before Capitalisation	14,977	9,392	5,585	75,832	
Allocation of result before Capitalisation: (Additions to) / Reductions in Project WIP	13,233	7,730	5,503		
Project Profit Recognised	1,752	1,672	80	17,241	1
International Activities	(8)	(10)	2	(389)	
Profit/ (Loss) before Provision Release	1,744	1,662	82	16,852	
Provision Release				10,000	
Total Profit / (Loss) Declared	1,744	1,662	82	26,852	

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Balance Sheet	Actual	F'cast	Variance	
£000s			better/(worse)	
Net Fixed Assets	44,205	45,115	910	3
Project WIP	70,464	75,967	5,503	
Other Working Capital	5,623	4,163	(1,460)	4
March 1999 Provisions	(43,316)	(45,654)	(2,338)	
Net Borrowings	(82,600)	(85,297)	2,697	
Total	(5,624)	(5,706)		
Share Capital	151,700	151,700		
Retained Earnings Deficit	(157,324)	(157,406)	82	
Total	(5,624)	(5,706)		

Headcount (excluding Temps)	Actual	F'cast	Variance	
Permanents	234	225	(9)	
ITs	10	9	(1)	
Freelancers	195	200	5	
ICL Contractors	141	152	11	
Total	580	586	6	5

1. Revenue and Profit:**Installed Offices at end of month:**

End January (28th)	1,969		
End February (25th)	3,019	2,964	55
Basis of revenue accrual, re. next Milestone Payment:			
No. of installations in the month	1,050	995	5.5%
(Current accrual rate is £23,351 per office)			

£000s			
Milestone Accrued Revenue	24,518	23,234	1,284
RFI Invoicing	274	640	(366)
Installation-based Implementation Cost Share	227	215	12
CCNs		30	(30)
Other		5	(5)
Total Revenue	25,019	24,124	895

COMMENT

- Revenue - mostly comprising accrued rollout revenue - was again slightly ahead of forecast, as we managed to maintain the small favourable position vs. the contracted rollout plan. The invoicing for excess outlet modification costs was not made in the month, but is expected to be agreed with POCL during March.

2. Cash Costs

Main Variances arose as follows:

- Following last month's sizeable favourable variances on Implementation sub-contracts, it was expected that a large amount of catch-up accruals would be booked in February, and a central provision of £2m was created in the forecast. Actual charges from these sources were in fact still £1.2m less than the Implementation department's own forecast for the month, leaving the central provision untouched.
- Elsewhere, OSD project costs were also lower than forecast by a total of £0.9m, of which £0.5m was due to the forecast incorrectly classifying expenditure on Cisco routers as project expenditure rather than a capital cost. Energis charges were in line with forecast in total, but an internal re-classification of costs relating to T&I and Implementation activities (into communications costs) gave an apparent operating cost gain.

£000s	Actual	F'cast	Variance
Operating Costs:			
OSD Data Centre Services	594	1,297	703
OSD Field/Help Desk Services	773	976	203
Energis Charges	151	515	364
SLA and Reconciliation Penalties	142	142	0
Termination Costs charged to Provision	(741)	(741)	0
Resource Related:			
Own Staff and Travel	990	1,087	97
Freelancers	1,956	1,932	(24)
ICL Contractors and Internal Charges	1,282	1,383	101
Subcontracts:			
WTL Site Mods & Preps	904	987	83
Pearce Site Mods & Preps	457	658	201
Knowledgepool Training	1,587	1,625	38
Celestica Hangaring Services	302	297	(5)
Exel Delivery Services	97	954	857
Central Allowance for catch-up invoicing		2,000	2,000
Escher Costs	246	132	(114)
Other 3rd Party Services	47	36	(11)

Other Costs:

Maintenance	56	83	27
IT & Communications	453	441	(12)
Premises	219	240	21
Exchange Differences	18	100	82
Gov't 1999 Contrib'n - Final Recognitio	(2,000)	(2,000)	0
Legal & Professional	51	75	24
All Other Costs	15	54	39
	<u>7,599</u>	<u>12,273</u>	<u>4,674</u>

3. Fixed Assets

Counter equipment additions again lagged behind forecast levels. The Cisco router additions were incorrectly shown in the forecast as a project cost rather than a fixed asset addition.

£000s	Actual	F'cast	Variance
Training Systems/Upgrades	133	197	64
Counter Equipment	2,198	3,308	1,110
Energis PO ISDN Installations	289	339	50
Router Equipment	478		(478)
Own Use IT Equipment	27	20	(7)
Test and Support Equipment	182	372	190
	<u>3,307</u>	<u>4,236</u>	<u>929</u>

4. Working Capital

- Core Working Capital was £1.5m worse than forecast. This is not surprising, given the favourable variances in both revenues and costs. Accrued debtors are higher than forecast and cost accruals are lower than forecast, both impacting adversely on working capital levels.
- The level of 3rd party creditors bucked this trend, with a favourable variance of £3.7m, which was due in part to the receipt of the invoice for Girobank's final settlement which swelled creditors by £2.7m and also to extended payment terms on FJ recent PC supplies, together with WT retentions.

The main elements of Working Capital are as follows:

£000s	Actual	F'cast	Variance
Debtors on invoices actually raised	593	346	(247)
Accrued Revenue	29,241	27,605	(1,636)
Escher Licence Fees paid in advance	718	756	38
WTL "Float"	1,250	1,250	0
Other Prepayments	781	730	(51)
VAT	2,718	1,818	(900)
3rd Party Trade Creditors	(12,080)	(8,344)	3,736
InterCompany Creditors	(10,953)	(11,904)	(951)
Accruals and Back-to-Back Agreements	(6,645)	(8,094)	(1,449)
	<u>5,623</u>	<u>4,163</u>	<u>(1,460)</u>

5. Headcount Analyses

- Departmental forecasts were again overstated in the short term, and the central adjustment that was included in our forecast submission proved to be a slight over-compensation.

	Actual	F'cast	Variance
Development & Programmes			
Permanents	55	59	4
ITs	4	3	(1)
Freelancers	182	189	7
ICL Contractors	118	122	4
Total - Development/Programmes	<u>359</u>	<u>373</u>	<u>14</u>
Customer Service			
Permanents	57	59	2
ITs	3	3	0
Freelancers	8	8	0
ICL Contractors	10	11	1
Total - Customer Service	<u>78</u>	<u>81</u>	<u>3</u>
Implementation			
Permanents	81	82	1
ITs			0
Freelancers	8	7	(1)
ICL Contractors	16	18	2
Total - Implementation	<u>105</u>	<u>107</u>	<u>2</u>

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Permanents	32	34	2
ITs	2	2	0
Freelancers	2	2	0
ICL Contractors	8	10	2
Total - Central Departments	44	48	4

Central Forecast Adjustments

Permanents			0
ITs		2	2
Freelancers		(11)	(11)
ICL Contractors		(20)	(20)
Total - Central Adjustments	0	(29)	(29)

Total Company

Permanents	225	234	9
ITs	9	10	1
Freelancers	200	195	(5)
ICL Contractors	152	141	(11)
Total - ICL Pathway	586	580	(6)



Customer Requirements Report

Customer Requirements Report

MONTHLY SUMMARY

- The pace of Requirements work is hotting up. The Network Banking Tender will require input from us as nominated subcontractor. The project ERA should start as far as Requirements is concerned around 17/3. The Market Development Plan, basically POCL's own prospect list, is due for publication 9/3. And the near term exploitation activity is being demonstrated using pre-existing functionality. In addition a surprise RFI for Electronic Bill Presentment was handled.
- There is, of course, much sweep-up work on Acceptance and CSR and CSR+.

DETAILED PLAN ACTIVITIES

NEW BUSINESS REQUIREMENTS

- John P has researched how we can support short-term cross-selling / up-selling and assessed what could be done longer term. Margaret Twelve's nominee, Kevin Brown, attended 28/2 for discussion and demonstration. A Terms of Reference paper for this activity was provided to Tim Thorpe. In the short-term use of the Clerk Instruction Line and the required grouping of product items can be exploited, but only for variable price products.
- A start has been made on *Project ERA*. The POCL Prince-type plan (PID), steered by John Hunt is due for publication around 3/3 and POCL is seeking ways of getting on with the Business Requirements and Analysis phases before formal approval by PONU. John Hunt has given resource estimates and the pricing proposals for these phases have been made.
- The *Network Banking* first level Business model was refined and several different usage scenarios incorporated as a basis for assessment of the business opportunity. To achieve profitable business a minimum fee of 60p per transaction would be required; even this gives only a marginal acceptable return for medium growth volume predictions. Some additional research was done into business volumes for the banking sector - volume of existing ATMs, current accounts, card usage etc. Estimates were also made of retail bank account and branch volumes and potential savings from closure programmes.
- Various discussions have been held with ICL FS on both Network Banking and the related ATM ITT. Follow up is expected on both subjects. The Network Banking RFI is anticipated to lead to discussions with other "back-end" potential service providers. The ATM ITT is likely to lead to discussions with Nationwide and Abbey National on the potential for use of the Horizon infrastructure and options for some degree of integration with the existing applications, e.g. cash / stock movement.

- The first version of a discussion paper on strategic options for developing Network Banking was produced for (subsequent) consumption by POCL. It highlights the requirements for Horizon integration of, and design control over, various key aspects of Network Banking and suggests those areas where 3rd party development would be appropriate. It is intended as a "door opener" to establish improved discussion with the POCL Network Banking unit.
- "Pen pictures" for the prospect areas of new business were further developed in anticipation of publication to us of POCL's Market Development Plan due around 9/3.
- POCL published an RFI on Electronic Bill Presentment and Payment leaving just five working days for a response. A response was dispatched on 3/3 (to time), by a combined effort from Pathway and Financial Services. Fortunately there was a good deal of synergy with recent FS work with Transpoint (as product supplier) and BACS on a similar EBPP proposal to APACS.
- Although the focus of this POCL RFI is Internet based e-bills services we have also identified the potential synergy with existing physical bill payment (potential for a full outsourced service to Utilities) and the potential for use of Household Budgeting facility to provide bill budgeting presentment/payment at the counter for cash orientated customers.

ACCEPTANCE LOOSE ENDS

- The POCL Acceptance Manager has now left the project and handed over the residual actions to business-as-usual.
- We have dealt with queries from POCL concerning A1376. One formal letter has been responded to attempting to avoid the conclusion that we had not found EPOSS reconciliation incidents that we should have found or that we have not reported those we did find. In reality CS are greatly hampered in "spotting the incident" because the reports have not had fixes implemented and report large amounts of do-nothing information. We have attended the Release Management Forum and proposed some re-ordering of the fix backlog, but it will be at least until the first week of March before this situation improves.
- Also the requirements of security have caused reports to be retrieved manually rather than by automated mail and handling mistakes are inevitable. In addition some changes to the CS procedures on Reconciliation have been devised.
- The CP to provide CS with a TIP file Repair Facility is provisionally approved pending OTT impact. Extensions to it sought by CS will be the subject of separate CPs.

- AI314: The agreed documentation set comprises the body of the document Generalised API for OPS/TMS, plus three appendices (App A: SmartCard Manager API; App B: KMS and Cryptography; App C: Systems Management). The POCL ATM, Bob Booth, has said the main body of the report (173 pages) is acceptable and will be signed off on his return from leave. Appendices A and B are with the customer for final review. Appendix C is being reviewed internally prior to being issued for final review on 29/2 February. A CCN has been drafted and will be issued as soon as these Appendices are approved, although POCL have stated that this will not be signed off until the TMS Architecture Specification and the OPS Architecture Specification have both been updated. POCL have provided extensive comments on these documents, and work to update these is scheduled to start on 28/2.
- AI369 is awaiting closure by POCL. The 'OBCS scan failure after manual scales transaction' problem had been fixed in the field and POCL is to test this before formally closing the AI.

CSR / CSR+

- Good progress has been made on circa 350 comments and questions on the SADD. The largest tranche is on EPOSS. In many cases the motivation behind a comment or question is to force us to describe how we do something rather than to define what we are committed to do, thus extending our commitment. Some such comments will be dealt with by reference to the existing PPDs. However, for others it will probably be necessary to provide a version of the up to date Technical Environment Description (TED) on non-disclosure terms, and Peter Wiles is preparing such a version should it be needed.
- Some work on the SADD Appendices is needed, for example to include material on LFS as a new Service. As part of this the volumetric estimates in Appendix B for interface characteristics were reviewed. In some cases these can now be replaced with measurements from the live estate to date, extrapolated to full outlet volume. The existing SADD volumes are derived from workload brief estimates, whereas the live data can now include useful information particularly with regard to peak volumes in the Christmas period. This should be completed next month.
- John P with support from the rest of the team has provided dispositions for 180+ EPOSS PinICLs, either to fix for CSR+, fix one day or fix never.
- John P has sustained a number of meetings with POCL to tie down how they want to treat the Receipts not equal to Payments issue at migration and during normal operation. A CP and CCN for a £35K paid study has been produced. The changes to office and stock unit balancing are going to have to wait until after CI4, but we expect the changes to MiMan (for migration) could be by July - provided that POCL do not waste too much time before authorising the CCN.
- John P is sponsoring a CP to make the changes necessary to meet our commitment on the graceful removal of non-core products.

- Tony H has supported CS in the development of validation processes and authorisation procedures to ensure that faulty reference data is not distributed to the live estate. It is planned to hand over support responsibility of the Comparison Report (referred to as the "Attribute Checker" in the 3rd Supplemental Agreement (para. 5.2.3 of CCN600)) to Systems Directorate once this is documented and accepted by OSG (POCL, Farnborough). We are awaiting a document from POCL stating which Reference Data items POCL do not test and therefore need highlighting. Other changes to the report have been agreed and are being implemented. Clarification on this highlighting issue will enable the Comparison Report to be completed and signed off by POCL.
- A number of the SLAs on the HSH are extremely demanding, being beyond the normal industry standards. Tony H prepared a document proposing ways in which the service targets could be more easily met, and investigated the contractual issues (Pathway to POCL, and Pathway to OSD). The document sets out 18 recommendations for action. Legal opinion is that although repeated failure to meet the SLAs concerned will not give grounds for termination by POCL, it can hold our feet to the fire and suspend the rollout.
- Systems Directorate has identified to Tony H a solution at CSR for handling short-term closure and reopening of outlets where the message store is aged out. This requires POCL to undertake actions to ensure that the outlet is closed down tidily, e.g. runs Cash Account.
- Version 4.2 of the Security Functional Specification elicited 94 review comments from POCL.

OTHER ACTIVITIES

- The ISO9001 Programme Board activities and timetable has been established. This indicates that the CAR, BRD, KPR and Acceptance processes are the prime areas to be brought up-to-date.
- Tony H and John P have been trained in the new version of MS Access.
- Everyone has attended Conversations for Change.
- All staff have appraisals prepared and in review.
- Dave H organised a presentation at the February Distinguished Engineers meeting, given by John Hunt, on the experiences of integration and test in the Pathway complex, high volume project environment. Useful follow up discussion included the suggestions of extracting key metrics and experiences for wider use across ICL.

CURRENT CRITICAL PROBLEMS

- The rapid re-orientation of activities to Requirements by POCL, particularly the need to staff bid teams for the Network Banking activity, may require us to staff up to handle several initiatives in parallel.

ICL Pathway

Customer Requirements Monthly Report

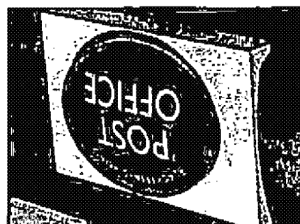
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- We somehow have to gain influence with, or over, the POCL's Network Business Unit. They clearly have the drive but their direction is not in line with our needs and there are too many surprises.

ISSUES

- None.

Customer Service Report



Customer Service Report

MONTHLY SUMMARY

- Data Centre performance has been very good with the only problems reported being hardware failure on the Correspondence Servers at Wigan which were quickly repaired.
- There were no Network incidents requiring Energis involvement during the reporting period. However occasionally, incidents at Post Offices are taking too long to resolve.
- Progress on AP Client Migration remains a concern. Both Pathway and POCL have now accepted that the 31st March deadline (for completion of the Interface Specifications) will not be achieved.
- The increased focus by OSD on the call filtration rate from the SMC has continued to show through in improved performance, though this effort must be sustained.
- The new Business Incident Management System (BIMS) will be introduced with effect from 1st March.
- The January Service Review was very positive, with enthusiastic feedback on the SLA performance and the Horizon system in general being made by POCL.
- The POCL audit of the delivery of the HSH Service at Cash Account has now ended and an improvement plan to rectify outstanding issues of concern to POCL and ICL Pathway has been put in place.

ICL Pathway

Customer Service Monthly ReportRef: PA/REP/047
Version: 1.0
Date: 23/03/2000

VITAL STATISTICSCumulative from 1st January 2000

Live Base: 3010 Post Offices, 6658 Counters

Total number of OBCS transactions to date	12,385,665
Total number of OBCS transactions in February	4,562,258
Total No. of EPOSS Transactions to date	55,917,732
Total No. of EPOSS Transactions in February	14,453,093
Total Value of EPOSS Transactions to date	£2341,184,400
Total Value of EPOSS Transactions in February	£864,048,800
No. of APS Transactions to date	7,616,893
No. of APS Transactions in February	3,058,247
Value of APS Transactions to date	£196,968,317
Value of APS Transactions in February	£83,821,800

NB: EPOSS transaction data is the absolute sum of receipts in, payments out and zero value transactions.

The above data is consolidated from the information now available on the Customer Service web site at the following location:

<http://iclpathway.bra01.icl.co.uk/weekly%20report/section%202/supporting.htm>

PROGRESS

OPERATIONS

Availability Management

- Data Centre performance has been very good with the only problems reported being hardware failure on the Correspondence Servers at Wigan which were quickly repaired. There is still an outstanding issue with the Audit Servers, which appear not to be built in accordance with the Technical Description. OSD are investigating.
- There were no Network incidents requiring Energis involvement during the reporting period. However there have been occasional incidents at Post Offices that are taking too long to resolve. A letter of complaint has been sent and a meeting is planned with Energis and BT in order for both to explain their lack of action.
- There has been maximum availability of all the systems during the reporting period. Archiving has been re-enabled on Correspondence Server 4 at Wigan and the archiving process is being monitored. The relocation of the PowerHelp Server, the enabling of Log shipping and fail-over testing is planned for completion by the end of March.
- A summary of SMG development activities has now been produced. Once agreed the activities and dates will be included in the CS level 3 plan and subsequently be fed into the programme plan.
- There is a good all round improvement in the SMC with regard to software distribution. The installation of the EICON driver upgrade has made a significant improvement to software downloads with only very a small tail (approx. 2.6%) remaining.

Change Management

- Software Release Management is managing to keep on top of the volume of changes coming through, although the delay in the update to the Reference Data download and the need to cope with two 'A' priority PinICL drops over this period, led to problems coping with the flow.
- There is insufficient awareness in the programme of the length of time that it takes to get a fix from Development to Outlet. When estimating delivery dates and agreeing implementation dates, three weeks should be allowed from the time that a fix is authorised for live to it getting on the Counter. This process is being reviewed.
- The Reference Data Operational Review Forum (RDORF) is monitoring POCL data quality. Ownership of the internal POCL interfaces with respect to Reference Data for testing and transition to live is still not clear and needs further work.

SLA Management

- Implementation of the new Non-Polling report format has been completed and the procedures are part implemented. Further automation of processes within SSC is required.
- The CR for the new Token Verification Service has been received from POCL. Another CR is awaited to introduce the additional CTO mini-schedules.
- Late delivery of Reference Data or Reference Data Amendments by POCL causes Pathway problems in maintaining the scheduled timescales. A process is being introduced to trigger an E-Mail to POCL OSG every time they are late with these deliveries.

ICL Pathway

Customer Service Monthly ReportRef: PA/REP/047
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- Progress on AP Client Migration remains a concern. Both Pathway and POCL have accepted that the 31st March deadline (for completion of the Interface Specifications) will not now be achieved. Therefore all APCM dates in the Level 1 plan are subject to review. A POCL instigated move of the HAPS interface system from Farnborough to Andover in May 2000 can only exacerbate the problems. This is documented and should be highlighted at the Project Board forum.

Performance Mgt

- Eamonn Long has now left Pathway and this role is to be taken over by Deirdre Conniss once a replacement Release Manager has been trained.

SUPPORT SERVICES**System Support Centre****Progress**

- The increased focus by OSD on the call filtration rate from the SMC has continued to show through in improved performance, though this effort must be sustained. Assistance continues to be provided to the SMC activity aimed at driving down the volume of Events presented to them.
- The proposals for the rationalisation of all 4th-line Host Applications support within A&TC have now been considered by Development but at this stage the proposals will not be taken up.
- The amendment to PinICL, to enable SSC to disconnect the PinICL priority of a call from the PowerHelp priority, has now been applied.
- To accommodate the additional staff in SSC and OTT, extra space is required. Workplace Management is working towards providing this additional accommodation.

Issues

- There has been concern that a methodology for constructing a file of corrected EPOSS Reconciliation transactions, using the new functionality, had not been worked out. A CP has been raised for the Development work on this but for operational purposes, SSC need additional functionality and a separate CP will be raised for this.

Metrics:

	<u>February</u>
Total Calls raised through SSC	1555
Total Calls closed through SSC	1677
Release Notes tested by OTT	24

(Of the total calls closed, 536 were in categories (e.g. Advice and Guidance, Published Known Error) which should have been closed by SMC).

Operational Test Team

Progress

- Key focus over the last two weeks has been on CI_3/VPN. OTT have been heavily involved in the final stages of testing and Pat Lywood was on-site at the Data Centres for upgrade work during the 26th/27th weekend.
- Release introduction activities are now starting to look towards CI_3.2, the RDMC/RDDS Enhancements for CSR+.

Issues

- TeamWare have advised of difficulties in providing 4th-line support for TeamWare Crypto. A meeting has been held with them to consider possibilities for the way forward.

INFRASTRUCTURE SERVICES

Business Effectiveness

ISO9001

- All CS staff have been briefed on the requirements of the BSI assessment. Updates are provided on the CS Intranet.
- Revision of all CS documentation is underway. Q&RM have incorporated the completion dates into the overall Programme Plan.
- Confirmation of the actual BSI assessment date has still to be agreed, however the latest targeted date is sometime during May.

Management Support

Business / Reconciliation Incident Management

- The new Business Incident Management System (BIMS) will be introduced with effect from 1st March. This goes a long way to satisfy POCL's incident management requirements following the 3rd supplemental agreement. The associated incident management documentation has still to be agreed and signed off by ICL Pathway and POCL. It is planned that this will be completed within the next two weeks.
- We are currently receiving about 30 receipts and payment incidents from newly migrated Outlets each week. This is to be expected whilst the current migration process is being used. In addition a small number of reconciliation incidents have been received either via the Counter reconciliation reports or direct from POCL. Where a fault in the reporting process has been identified an appropriate system incident has been raised with Development.

Management Information

- The weekly report is now in its fourth week of production. There has been considerable change to the format following comments from within CS and externally throughout ICL Pathway and Fujitsu. The report due for publication on 3rd March incorporates all current revisions. It is expected that this report will come under change-control now that an acceptable format has been developed.
- The Service Review for January has been held with POCL. This was one of the best reviews yet with positive feedback, on the SLA performance and the Horizon system in general, being received from the customer.
- MSU are currently assembling the data required for the calculation of financial remedy payments in respect of those remedial SLAs where we have failed to reach the required level of conformance.
- Considerable effort is still being employed in checking the HSH Advice & Guidance and Hardware / Network calls to ensure conformance to SLA.
- There are currently in excess of 20 high priority PinICLs under investigation in respect of faults within the Data Warehouse, SLAM and the remedy calculations.
- A potential candidate for the outstanding MIS analyst vacancy has now been identified. Personnel are currently involved in preparing the appropriate job offer. It is planned that this vacancy will be filled within the next four weeks.

Desktop I.T.

- No major problems reported this month.

Strategic Services

Business As Usual

- The POCL audit of the delivery of the HSH Service at Cash Account has now ended and an improvement plan to rectify outstanding issues of concern to POCL and ICL Pathway has been put in place. The unit had two key deliverables that have now been achieved.
- The Cash Account call codes have been brought into use and initial feedback is positive, the new coding structure enables enhanced analysis.
- The interface agreement, between NBSC and HSH, has been developed and issued over the past month. Demonstrating commitment from both Pathway and POCL to ensure the working relationship - works well
- The second helpdesk review forum was held at the end of February. Brendan Nugent and Debbie Hall attended from HSH alongside Bob Davis, Jan Holmes and Dave Fletcher from CS. Jan was invited along to review how we interact with the customer. The meeting went well, there were two main areas of focus.
- The completion of the interface agreement and its introduction to live service. The interface agreement will be used until the end of March at which point comments on the document will be taken from the respective helpdesk teams. The comments will be incorporated and then the document will be presented for final approval.

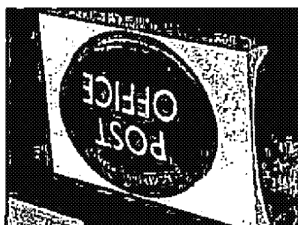
- A review of the POCL document called HSH complaints. A detailed analysis of the calls logged with NBSC as HSH complaints has been completed. Out of 52 calls presented, it was difficult to identify more than 3 that were complaints about the HSH service. This was raised as an issue with NBSC, who agreed to look at how they present their data. Many of the issues in the "complaint calls" would have been resolved at point of enquiry had NBSC explained agreements POCL and ICL Pathway have made with regard to how certain problem types would be dealt with and how service would be delivered. The meeting agreed a better way to deal with complaint calls.
- Julie Welsh is presently reviewing and tightening up the complaint procedure and is working to ensure that the procedure is well document and works from end to end. Julie will be working close to the Business Efficiency team in carrying out this work. Additionally Julie is conducting a detailed analysis of Hardware and Network calls with the intent of providing feedback to OSD to improve the delivery of their service and preparing for BSI audit.
- Alison Peacock was successful in implementing new calls codes for Cash Account. She is now managing a broader CP to support more generic coding activity. Additionally it has been agreed with Alison that she will complete some service development work for OBC to manage the introduction of weigh scales to the Post Office.
- SSU are working with Post Office to ensure they introduce weigh scales as a programme, priced in accordance with the rules laid down in CCN202b. SSU be meeting with POCL on Wednesday 15th March to discuss this matter further.
- Additionally SSU will also meet with BSM on Wednesday next week to discuss the introduction of 3 new services:
- Migration services to support long term temporary Post Office closures.
- A remedial service to support (particularly) inappropriate call out of engineers to site. This is needed. Recently engineers have been called to site to replace keyboards damaged by coffee spills, clear paper jams in printers and re-seat cables. Note that as the PM signs to accept that the system is working correctly at installation, it is probable that the re-seat is needed because systems have been moved and/or pulled about within the perceived tolerance of the cable.
- The provision of a warranty service for electrical works - brief discussion only.
- OCMS delivery date has slipped. Awaiting confirmation of new delivery date from development.

Implementation/CSR+

- The roll out continues successfully although one or two process issues have occurred since 22nd February. Audrey Adams is specifically looking at SMC failure to report exceptions against Reference Data availability for implementation. There is also a problem with the automated Brain Build process, Counter systems brains are now being built manually which introduces the additional risk of user error to the implementation. Mike Stewart is managing the resolution of this issue.
- UKSS have had some problems preparing the spares stock to support the initial CSR+ implementation. Concerns have been expressed by OSD that the new system build was not available until late last week, not giving them enough time to prepare for the upgrade and that the control of 2 system builds in the field will be difficult. Audrey is working to manage out these short-term issues. Lessons learnt will be captured for the future and the "spare upgrade process", which needs thorough review.



Quality & Risk Report



Quality & Risk Report

MONTHLY SUMMARY

- Security: Work required has been defined and additional resource has been approved for the KMS implementation programme. Cryptographic key material has been developed and delivered for testing and VPN introduction.
- Risk Management: The Business Plan Risk registers have been reviewed and are in alignment with the Business Plan. The overall risk profile has changed a little - reduced pc risk and increased risk due to staff attrition. The latter is now a serious risk to Option B. A consolidated set of Business Plan Programmes has been produced and ownership agreed with members of the Management Team.
- Quality: ISO9001. The target for completion of documentation is now 20th April. Discussions are beginning with BSI. A roll out DQA has been conducted, showing significant improvement since Q4 1999.
- Audit: The 2000 programme continues to plan. The Horizon System Helpdesk audit has begun, and the Planning and Technical Integration audits completed. The audit workstations at the Data Centres continue to cause problems.
- Y2k: There were no effects due to Leap Day.

PROGRESS

RISK MANAGEMENT

- The Business Case Risk Register (both Options A and B) has undergone detailed review. The overall profile has changed a little, mainly to reflect the reduction in pc risk and increased risk associated with loss of key staff. The total risk for each option is:
- Option A: total potential impact, £71.4mn, weighted at £17.2mn
- Option B: total potential impact, £86mn, weighted at £20.75mn
- The Risk Register and Business Plan are now in alignment.
- The Cost Down and Task elements of the Business Plan have been consolidated into a number of 'programmes'. Ownership has been agreed with members of the Management Team. The task now is to detail the actions required and to enumerate specific annual targets. There is approximately £100mn of Cost Down and Task to be achieved to meet the Business Plan, and £19mn opportunity to address adverse movement. This should provide a focus for management attention.
- The Consolidated Risk Register is undergoing a thorough review to ensure a level of consistency with the individual lower level risk registers of which there are over 20.
- The Risk Management and Monitoring Process needs is undergoing redefinition, to reflect changes.
- The Predict! risk analysis tool is not guaranteed to be the Propel tool of choice for managing and monitoring business risk. The market for risk management tools is and will continue to be reviewed in conjunction with the wider Risk management community within ICL. In the meantime, all risk registers will be maintained in a common Excel spreadsheet format.
- Banji Oyewumi, joined QRM in early February to progress and maintain ICL Pathway's Disaster Recovery and Business Continuity Planning.

SYSTEM SECURITY

GENERAL

- DPA. The agreement with PONU to establish our respective status under the 1998 Act has yet to be translated into requirements that will form the basis of contractual negotiation. A solution for the provision of training information by Knowledgepool is currently under consideration by Solicitors. Work is underway on an awareness campaign to highlight individual responsibilities under the DPA 1998 that is now in force.
- Security documentation status has been reviewed and an action plan is being prepared to review and re-baseline documents pending ISO 9000 audit.

CSR

- CP2142 Access to Remote Firewalls. The installation has been completed on both machines. On-line help will provide the appropriate user documentation.
- The draft continuity plan for the security administration workstations is being prepared.

CSR+

- CI3 Cryptographic Key material. A significant amount of work has been done to generate, store and log the key material required for the VPN elements at CI3. The appropriate keys have been delivered to enable VPN testing and server migrations at the datacentres.
- Work on KMS User Guide and review of related documentation continues.
- KMS Implementation. A scoping study has concluded that this requires 350 man days of effort (75 accounted for in the December OMR). Additional resources have been approved to ensure that the operational aspects necessary to manage the system are developed and introduced within timescales. An workshop has been arranged with all relevant parties to raise awareness of the impact of KMS, review current/new KMS requirements and determine how the service will be implemented and maintained. The output will be a plan that identifies the required operational processes, management control and agreed responsibilities for delivery of the service. This will also include compliance with the contractual requirements of BS7799.
- An OCP has been raised to ensure that CM and SCM staff who access the Signing Server do so in compliance with the SFS and the ACP. The proposed work is being scheduled.

QUALITY

- ISO9001. The Board Meeting reviewed progress on documentation and first draft action plan. The target is now to complete documentation by 20th April.
- Quality Management System Policy PA/POL/002 has been updated to give an overview of Pathway QMS and fit within ICL Process Framework.
- Packaging Return. The ICL Pathway submission to Group Environmental Affairs has been completed for Q4 1999 and submitted on time.
- Delivered Quality Audits (DQAs) have been conducted by the QRM team at about 25 sites. A Consolidated Action List has been submitted to Implementation. Results indicate a significant improvement of Q4 99.

AUDIT

Internal audits:

- Customer Services Audit: now complete
- Security Policy Deployment Audit: 3 actions remaining open in the CAP, all in the area of Anti Virus Software.
- Change Management Audit: 4 actions remaining open in the CAP, related to activities supporting the ISO registration programme.
- Implementation Audit: 1 action remaining open in the CAP, Business Continuity Plans:
- CSR+ Development Audit: the 'Retrospective Work' grouping of corrective actions is the key activity remaining on this audit.
- 11 Week Plan: the report was issued. There were no formal recommendations hence no CAP was issued. Closed.
- Planning Audit: the report was issued. It is clear that there is a significant issue between Graham Chatten and Pete Jeram's Development Managers. MJBC has been asked to mediate and facilitate the production of the CAP.
- Technical Integration Audit. Was conducted during February; report due in March.
- Horizon System HelpDesk: terms of Reference issued and fieldwork started.
- QRM Audit: terms of Reference issued. An external auditor will conduct the work during March.
- Audit Solution Problems. User testing of the Audit Workstations at the Data Centres has been conducted. It was less than successful and resulted in a further 15 problems being raised.
- Audit Data for Investigations. There has been a formal exchange between Pathway and POCL. POCL have put the matter with their solicitors.

YEAR 2000 CONFORMANCE

- Leap Day has come and passed with no reported failures within Pathway; there have been failures in other parts of ICL and most notably in Japan. B&TC / TVC responded quickly to an identified shortfall in testing of systems which support roll-out as an end to end service had not been completed.

ISSUES

- Little progress has been made on the Development 'minimum documentation set'. This has potential implications for the achievement of ISO9001 and in the longer term, supportability of the system.

Business Development Report



Business Development Report**MONTHLY SUMMARY**

- A good month with progress on a number of fronts. Most importantly, the joint workshop with PON on 8th February allowed issues to be placed on the table and future areas of development to be discussed. The event proved timely and useful, not least as part of team building and burying some of the past. However, it should be seen as a start - we still have quite a way to go to develop a full 'partnership' relationship with PON. Three specific action areas to be agreed. These were:
- Identify quick wins to help PON drive for additional sales through the use of Horizon
- Work with PON in their ERA project which will involve the re-engineering of their back-end processes and the demise of the cash account
- Engage with PON and their Service Development Plan which will identify and prioritise future potential developments on Horizon
- There is still major concern about Post Office's ability to fund the new work that is needed. The crunch will come when we change from pre-sales effort into paid work.
- Two activities are taking place on the press/PR front. We have already (in December) submitted a proposal for external press/PR coverage in 2000. Until now, despite frequent requests, there has been no response to our proposal. We now need to raise this issue to PON management. We have also produced a proposal for internal (to Post Office) promotion of Horizon. This needs more work before submission to PON.
- The ACT argument is hotting up. The second reading of the Post Office Bill takes place in Parliament on 12th April. The Federation of Sub-Postmasters are organising a major rally for that day in London still aimed at getting government to back down on the move to ACT for benefit payments.
- We have now been informed that we are on the short list for Network Banking. There are five other companies on the list: Unisys, IBM, Anderson Consulting, PriceWaterhouseCoopers and Brokat. Discussions with PON and Network Bank are progressing to define boundaries around Pathway and the back-end systems.

PROGRESS**Business Development:**

- A meeting is arranged for 9th March to discuss the Service Development Plan. PON have shared a draft of the SDP with us. It is not a good document and needs a lot of work. This will evolve over the next three months.
- The proposal for ICL to undertake CSR+ training has been rejected. Post Office will run the training themselves. Our concern is that competency testing is carried out. I am assured that this will be done. The principal rationale behind this approach is that PON feel that KnowledgePool will be stretched and diverted from the main training task.

Marketing Communications:**Internal Communications in ICL Pathway**

- Staff briefings have taken place:
 - >> FEL01 - Thursday 24th February
 - >> BRA01 - Friday 18th February & Tuesday 29th February
 - >> KID01 - Thursday 2nd March

- There are a number of concerns regarding the format of these events and a proposal is being put together to reformat.
- The new Induction events (demo day and old induction event merged) took place on Thursday 10th and Friday 11th February. Communication talked about ICL Pathway and ICL - what we do our history and information available. The new format works but we need to ensure full coverage of new staff. This is being discussed with HR.
- Excellence Awards as nominated by Terry Austin have been processed and certificate and pins have been handed out to the winners at briefings.
- We are working with programme management to develop a communication plan for the implementation of 'time recording'.

External Communication

- Continue to work with Neil Pattie to produce press releases regarding ICL Pathway. Latest one for approval with the Post Office is titled 'From the Scilly Isles to the Shetlands' and gives an insight on just how large a nationwide project this is. There is also an update on automation figure (over 3,000) and how we've achieved a record of automating 316 post offices in a single week.

PON Communications

- The planned meeting with the Post Office regarding the proposed press publicity due to take place on Wednesday 8th March has been postponed by PON till late in April. This is unacceptable and we will raise this with PON management to get more focus behind this activity.
- International Postal Conference is taking place at the NEC, 22-28 May. The Post Office has requested a 'live' post office to be set up for the duration.

Government communications

- Stephen Byers read out the 2nd reading of the Postal Services Bill in Parliament on 15th February. Horizon was 'favourably' mentioned a number of time.

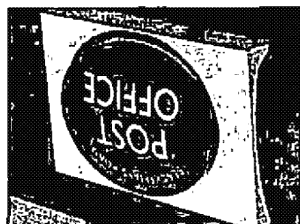
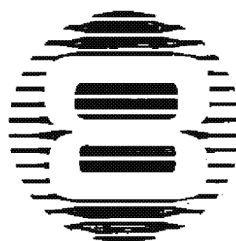
International:

- Only current activity is with Deutsche Post where we undertake a work task in January which has left some legacy issues that are in the process of getting sorted. Acquiring resource from A&TC has been a very difficult task.

CRITICAL PROBLEMS

- None

Implementation Report



ICL Pathway

**Implementation
Monthly Report**Ref: PA/REP/047
Version: 1.0
Date: 23/03/2000

Implementation Report**MONTHLY**

- We have now completed six weeks of National Rollout, which included two weeks running at maximum beat rate. During these two weeks we achieved 300 and 317 outlets respectively, installed and migrated. To date the installation beat rate achieved remains broadly in line with the plan. As of 3rd March, 3306 outlets had received their Horizon system.
- Current predictions continue to indicate that the next rollout payment milestone will be achieved at the planned date of 1st May 2000.
- The strategy for the replacement PC for the X365 has been agreed. This will involve the purchase of a sufficient quantity of X365 units for the duration of the programme, up until 2005. A price has been agreed between ICL Pathway and Fujitsu Siemens Computers, the final quantity of the last time buy will be communicated to FSC very shortly. The quantity required for the duration of the rollout has already been submitted internally by Implementation.
- This decision will minimise the amount of work necessary for interception of new technology and will guarantee sufficient quantities of PCs to meet all rollout milestones.
- Members of the Pathway Implementation Team are now heavily involved in project managing rollout requirements with the ICL PFI Group, especially for HMCE, as this begins rolling out in March. Budgets are being constructed for the various projects. Current Pathway resources utilised on the PFI Group are being recovered through inter-company cross charging.

PROGRESS

- The RODB software version currently in use (version 2.5p), which was installed in late December 1999, has been the most stable software version to date for Users and Clients. The next upgrade, version 2.6, is scheduled to Go Live on Monday 3rd April. This version contains a great deal of new functionality. The Secure Managed Environment (SME) is due to Go Live on Tuesday 2nd May. This requires a rebuild of server and Suppliers PC's and will enclose the RODB in a secure environment.
- PONU have started the process of capping outlets, two weeks prior to install week, to ensure that the number of outlets entering install week can be adequately resourced with Horizon Field Support Officers (HFSOs), who support the migration activity. The capping levels have been agreed with ICL Pathway.

- Data from the six completed weeks of National Rollout is showing that the installation dropout rates are slightly lower than the planned estimates for the 16 week installation cycle. In response to the reduction in dropout rates, ICL Pathway and PONU have agreed to make a small reduction in the number of outlets being cut at the start of the 16 week cycle. This is a low risk change, which will reduce the number of outlets that need to be capped prior to install week and provide an opportunity for re-scheduling outlets. The dropout rates are being continually reviewed to ensure that the optimum number of outlets are cut into the installation cycle.
- The input of outlets into the tail of the infrastructure programme has now started and ntl are undertaking surveys. Outlets are being released to the programme by PONU, in accordance with the release programme, which was agreed between PONU and ICL Pathway at the end of last year. Discussions are continuing with ntl regarding the commercial aspects of the tail. It is expected that the infrastructure programme will conclude during July of this year. Any additional sites identified by PONU will, by agreement, be undertaken as part of the Operational Business Change Programme.
- The rollout training programme has experienced some minor training scheduling issues relating to the late issue of training invitations. ICL Pathway, PONU and KnowledgePool have met to discuss the cause and extent of the problem, corrective action measures have been agreed and put in place. The root cause of the problem was identified as a backlog in booking training venues, which caused a delay in allocating delegates to courses and the issuing of invitations and joining instructions. The situation will be monitored closely over the next few weeks.
- PONU have reported improved occupancy levels on the Preview Event and continue to provide positive feedback on the content of the event and its impact on the delegates.
- Detailed planning for the CSR+ live pilot, due to be run in August this year, has continued. The pilot will be made up from 285 existing live sites, upgraded with the CSR+ release and 20 new installations where CSR+ will be the built release. The selection and identity of the 305 offices will be concluded during March.
- The matter of CSR+ upgrade training for specialist staff (e.g. Auditors) has been raised with PONU. ICL Pathway have proposed a way forward in the draft CSR+ Training Strategy document.
- ICL Pathway have submitted a proposal to PONU for providing CSR+ backfill training. Feedback is now required from PONU before Pathway can finalise the proposal and submit a formal response to PONU's Change Request.

IMPLEMENTATION STATISTICS (TO 25TH FEBRUARY 2000)

<u>Activity</u>	<u>Change</u>	<u>Cumulative</u>
INFRASTRUCTURE PROGRAMME		
RGM letters issued	0	17,563
Site surveys undertaken	117	17,248
Site preparations done	824	14,093
Sites RFI	843	13,709
INSTALLATION PROGRAMME		
RGM2 Letters issued	1281	8,052
ISDN lines installed	1363	4486
Sites installed	1054	3,030
Sites migrated and Live	1052	3,020
Counters Live	2222	6,615

CURRENT CRITICAL PROBLEMS

- There is continuing concern over the quality of service for the Powerhelp helpdesk call system used by the Rollout Helpdesk (as well as the Horizon System Helpdesk).
- System response times and system availability have been persistently poor despite management attention. The service level remains a concern and a risk for sustaining rollout at maximum beat rate. Recent diagnostic work by OSD has indicated that problems are arising as a result of the local area network configuration within Kidsgrove. This work took place on 4th March and we are now monitoring the level of improvement gained. However, early indications are that no improvement in the performance of Powerhelp has been achieved.

ISSUES

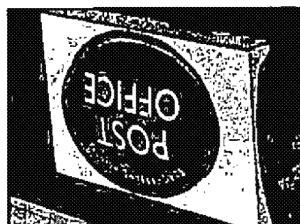
- (Including progress on issues reported last month)

- Progress with ntl on improving the quality and timeliness of preparation activity completion continues and there has been no major impact on rollout. However, while there is still evidence of quality issues continuing to arise, ntl have given assurances that they are taking the necessary steps to improve this situation. We are currently monitoring this to enable us to evaluate ntl's performance in achieving their objectives. The improvement in the levels of support being provided by ntl, at no additional cost to Pathway, have allowed us to remove the contingency element being provided by Pearce Securities and thus reduce the overall cost of contingency. The required notice period means that the Pearce service will not be available in three of the four regions (IP's 2, 3 and 4) from 27th March and IP1 (the fourth region) from 10th April. The two week delay in IP1 is to ensure support is available to minimise any risk when installation activity moves from Northern Ireland to the Scottish mainland, where the first two weeks of installations will be supported.

COSTS

- The costs relating to the extension of the infrastructure programme are currently being finalised and incorporated into a CP. The main cost is ntl, which has come in at £600k, this is being reviewed in an attempt to reduce it.
- The Implementation unit have accepted a target cost reduction of £2m, a plan is being developed to identify the areas for cost savings.
- The KnowledgePool contract remains unsigned, this has been taken up with Paul Butler in an attempt to finalise this matter.

Organisation & Personnel Report



Organisation & Personnel Report

MONTHLY SUMMARY

- Recruitment activity continued with a significant number of vacancies being filled. There is still work to be done in this area, both in finding replacements for leavers, filling new positions and replacing freelancers with A&TC people.
- Support was given to managers to help them achieve their targets in the areas of pay planning, appraisals and objectives.

PROGRESS

- Appointments in February:

External Recruits	0
Transfer In	2
A&TC	10
LINKwise	1
Freelance	10
Tem/Fixed Term Contracts	0
Total:	23

- Known Joiners:

External Recruits	0
Transfers	2
A&TC	4
LINKwise	0
Freelance	0
Tem/Fixed Term Contracts	0
Total:	6

- Offers outstanding:

External Recruits	0
Transfers:	1

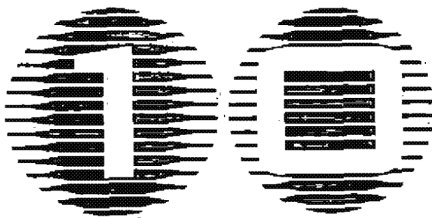
- Leavers in:

Permanent	1
Freelance	13

Temporary	0
Transfers	2
Total:	16

- Recruitment activity continued with 23 people joining Pathway in February. A further 6 candidates have accepted positions and will start in March/April.
- 25 vacant positions remain outstanding at month end of which half relate to RAR's submitted in February.
- Despite a disappointing response to the recent advert in the local press and Computer Weekly, Customer Service have resourced nearly all their Operational Test Team and Systems Support Centre vacancies.
- In response to the Programme office's need for software Configuration Management skills, a joint external recruitment initiative is being undertaken with A&TC to find suitably qualified individuals.
- In line with ICL Pathways' commitment to achieving ISO 9001, Personnel have submitted their plan to map local processes by mid-March.
- All relevant managers have been advised of the pay planning process for this year. Personnel have held one to one meetings with all managers at which initial recommendations were made. These are currently being reviewed with the Pathway Management team before agreeing the final overall plan with the Managing Director of Pathway.
- Regular reports have been issued in order to help managers monitor their progress in completing appraisals. The deadline for the completion of appraisals is the end of March. To date progress in receiving completed appraisals has been slow. However, judging by the number of queries raised by managers there is plenty of activity in this area and completed appraisals should start to result in the next month.
- The visit by the Investors in People Assessors took place in February. This is part of a company wide programme. ICL Pathway employees contributed positively to the visit, both on a one to one basis and as members of a number of focus groups which took place. The feedback from the Assessors will be available as part of their report on the whole company.
- Two induction events took place and were well attended. Sessions will take place in future depending on the level of recruitment into ICL Pathway.
- Work continued with A&TC on resourcing. A&TC were successful in helping fill new vacancies but more work is needed to identify people who would be able to replace freelancers where this is appropriate. In order to address this issue a series of actions were jointly agreed between Pathway and A&TC and their effect will be monitored to measure their success. A recruitment programme has been started to fill roles within the testing functions of Pathway.
- Objectives set as part of the Professional Variable Pay scheme were distributed to all relevant employees and their managers with guidance as to how and by when they should be reviewed. The response rate will be monitored by the Personnel Department and assistance given as required to help ensure all are reviewed and logged with the Personnel department.

- The process for providing personnel-related information for the Time Recording System was agreed and individual responsibilities defined. This has been working on a trial basis over the last few weeks and the success of the process will be reviewed on 2nd March.



Post Office Client Report

ICL Pathway

Post Office Client ReportRef: PA/REP/047
Version: 1.0
Date: 23/03/2000**The Post Office - Client Director's Report****MONTHLY SUMMARY**

- Good News: Enterprise Agreement won.
- Bad News: Disturbing reports that £20m is being cut from the IT budget and the likely candidate is OneStopShop (PC supply).

Revenue year to date at Jan 2000 ie 10 months

	<u>Jan2000</u>
A+TC	537k
MC	11,169k
GOVT	1,358k
OSD	13,640k

PATHWAY 166,570k

Total £193m (last month £188m)**eBusiness**

- Arranged to meet Dick Wheelhouse, MD of "e-Enterprises" reporting to Richard Dykes, 7th April - earliest date he would offer. He has just completed the PO Lottery bid work. No news on the other MD appointment "e-Infrastructure" to design and operate common internal processes needed to support external eBus eg intranets: reporting to Stuart Sweetman.
- We need to further develop our pitch on eBUS to incorporate eg the me.gov proposed govt-citizen service.

Service Management Productivity Programme

- The key requirement for an asset register, prior to April 1 when IT Services take on responsibility for all PO desktop PCs, is being developed by A+TC/OSD using Peregrine software. However this work still suffers from continuing delivery problems (and ICL perception issues) although one recent software delivery milestone was achieved
- There is a substantial longer term opportunity to design and/or operate PO infrastructure. I have loaned Caroline Simcock to Andrew Auty to help get-through the immediate problems.
- The single tender Peregrine Managed service opportunity - should have been ours (OSD) for the taking - now slipped into the autumn.

ICL Pathway

Post Office Client ReportRef: PA/REP/047
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Date: 23/03/2000

ICL Onsite/technical resources (bodyshopping)

- John Bell has met with Martin Lomax regarding the outstanding debt of £100K and agreed payment (minus one indefensible fouled work package) - Govt Div very pleased - and final invoicing is under way. Agreement on repricing is close.

ICE (SPICE/CRM)

- Deloitte's contracted for scoping analysis meanwhile other SPICE bidders have been asked to consider SPICE training. KnowledgePool assisted by John Bell have moved to a shortlist (+Druid, Parity) and first phase estimates in the order of £2m - now awaits April budget decisions.

MC - One Stop Shop

- Another very poor month with few orders and no prospects of new moneys until May - and next year's PC budget is expected to take the cuts in overall IT budget. MC have been told there is £6m in for next year between ICL and Ccenter (vs £40m in 1999/00).

Enterprise Agreement

- Good news: Microsoft Enterprise Agreement. business won versus CCenter in an restricted tender fight with CC very upset at the outcome. Worth £2.5 - 3m pa for 3 years.

Modern Government

- Current activity focussed on the me.gov portal personalisation bid to CITU, ICL is shortlisted with BT-IBM. Both are in dialogue with PO to maximise the offer. ITT expected next week - we then need to take a deal to PO.
- Mike Jenkins starts his assignment tomorrow with PO to help them pull together their position in the wider Modern Govt debate, with an eye on a submission in March to Cabinet Office to impact the PIU report on the role of the Post Office Network.

OTHER ACTIVITIES

- A good Virtual Account Team meeting held - although OSD have now decided once again to change their sales representation. This is appalling, 4 names in 8 months.

Siebel

- No progress - the ICL implementation team seem unable to connect FEL01.

ICL Pathway

Post Office Client Report

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Contacts

- Interesting meeting with Duncan Hine - gave little away as usual but it is clear he thinks their approach to eBUS is a shambles.
- Emphasised the need for ICL Pathway to be "quoting 6 weeks rather than 6 months for new developments".
- He leaves end-March, after 9 years in PO, to be MD of Generics a Cambridge-based strategy/technology consultancy. Alan Shepherd is appointed temporarily as Group IS and Technology Director whilst they headhunt.