

**PATHWAY GROUP LIMITED**

**MINUTES OF A MEETING OF THE BOARD OF DIRECTORS**

**HELD AT**

**ICL HOUSE, PUTNEY, LONDON, SW15 1SW**

**ON**

**THURSDAY, 25TH APRIL 1996**



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**Present:** Sir Michael Butler (Chairman)  
Mr J H Bennett  
Mr M Murphy  
Mr A Oppenheim (Item 30 onwards)  
Mr T Reynolds  
Mr T K Todd (To item 33e)  
Mr J White (Item 30 onwards)

**In attendance:** Mr R F Scott (Secretary)  
Mr J Jones  
Mr T Austin  
Mr M Bennett (Item 34)  
Mr P Seddon (Girobank)

Apologies for absence were received from Mr R Banks.

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**ACTION**

**96/27 MINUTES OF PREVIOUS MEETING**

The minutes of the meeting held on 15 March were approved as a correct record and signed by the Chairman.

**96/28 TRANSFER OF SHARES & SHARE CERTIFICATES**

It was noted that Girobank PLC and De La Rue PLC had sold their shares in the company to International Computers Limited. The share transfers, which were not yet to hand, were approved, conditional upon their being appropriately stamped with transfer duty.

It was agreed that the common seal of the Company be affixed to a share certificate in the name of International Computers Limited for the shares thus transferred.

**96/29 DRAFT STATUTORY ACCOUNTS**

The draft report and accounts for the Company for the period ended 31 December 1995 were approved and the Board authorised any one director to sign the balance sheet (after making any necessary changes for example as a result of auditors comments). The Board also authorised the Secretary to sign the report of the Directors and convene the company's Annual General Meeting at a convenient date after the auditors had signed their Report.

96/30 MANAGING DIRECTORS REPORT

Mr Bennett reported and there was a discussion.  
Points noted:-

- Mr Bennett
- a) Pathway had re-tendered to POCL/BA on Monday 22 April and was now fully compliant with the revised ITT issued the week previously. The short management summary in front of the Re-tender document would be circulated to the Board.
  - b) It was noted that one of the bidders, Cardlink, had proposed that this PFI procurement be linked with the NIRS II PFI to produce a variety of savings. However it was noted that this initiative was unlikely to go forward.
  - c) Mr Todd had written letters assuring the customer of full ICL support for Pathway. The Chairman was writing to Mr Hesletine with copies to other ministers to make sure the Government were fully aware of Pathway's solution.
  - d) On the delivery side, Pathway staff were in Boston working with Escher to understand the Escher software. Good progress was being made.
  - e) Pathway had developed a suppliers forum, meeting monthly, for the 15 or more suppliers involved. This was being used for communication and would later be helpful across the whole business front.
  - f) Over the next three months it was planned to recruit an extra 40 or so people. Permanent posts were being filled if possible from ICL.

Mr Bennett proposed that if Pathway won the procurement, the Company should move offices to a building in the Thames Valley/M4 corridor. Staff were at present in three locations in Feltham and the accommodation was otherwise unsuitable. However the Board felt that a move at the crucial time indicated could be a distraction. Mr Bennett would talk to Mr Pyle of ICL about Pathway's needs, to see if some ICL Group staff in Feltham could themselves be moved to allow Pathway to expand here.

96/31 SALES UPDATE

Mr Jones reported and there was a discussion.  
Points noted:

- a) Our intelligence on the competitors offerings, indicated Pathway was well placed both in price and customer preference. (Further intelligence since the Board Meeting has shown that Cardlink and Pathway's prices are now very close, and that Cardlink may indeed be lower.)

- b) Pathway were working with ICL on possible linkages with databases held by the DSS and elsewhere, to reduce fraud in particular. The Chairman and Mr Todd would try to develop this point at a meeting with Mr Mathison of the Benefits Agency.
- c) There was a discussion on publicity, where it was noted that the customer would wish most involvement with the media, keeping Pathway in the background. It was agreed that we would have appropriate Press Releases ready together with possible questions and answers, all prepared with the help of Mr Cheetham of ICL, and to be in place one week before the expected announcement date. A brief would also be prepared for the Board and others, to enable a consistent line to be taken by Pathway. All this material would be cleared by the Chairman before issue.  
 Mr Bennett  
 Mr Bennett
- d) Mr Bennett would begin to work on plans to handle marketing/liaison with the customer and with POCL's customers such as Royal Mail and Parcelforce in particular, whilst respecting the provisions in the contract and POCL's own position on the matter.  
 Mr Bennett
- e) A review of possible business opportunities for the Pathway solution, beyond the presently intended customer, had already indicated a great deal of interest. The problem was more to avoid being distracted than to seek out new leads. Mr Todd emphasised the importance and high priority of Pathway to ICL and it was acknowledged that the first priority was to make the solution work for this customer. Mr Bennett and Mr Oppenheim however should spend sometime on the strategic possibilities outside the UK, and develop an approach with the assistance of Mr Murphy in particular, keeping the Chairman advised.  
 Mr Bennett  
 Mr Bennett
- f) The activities of the French owned "Cashstop" organisation which offered a service for paying utilities bills in particular, were noted.

96/32 **FINANCIAL DIRECTOR'S REPORT**

Mr Oppenheim reported and there was a discussion. Points noted:

- a) The award was expected around 15 May, possibly to be announced by Peter Lilley at a sub-postmasters' conference. Parallel activities beginning then included agreement on functional specifications, finalisation of release strategy, service definitions and acceptance criteria. A limited "go live" test was planned for September followed by detailed integration and test of all end-to-end components prior to user acceptance tests in Q1 1997. The target start date for commencement of rollout remained July 1997 completed in December 1998 for Counters and July 1999 for Cards. The contract end date would now be February 2005. This

factor has been taken into account in repricing for the re-tender and Mr Oppenheim said that the revised business plan showed the contract would be profitable.

- b) Mr Bennett would review the manpower plan for Pathway with Messrs Sillitoe and Berry of ICL. Mr Todd said ICL placed great priority on Pathway and if Pathway required any particular skills or individuals whom the rest of ICL Group would not release, then Mr Bennett should refer to him.
- c) The negotiations with the customer prior to the re-tender were noted and it was a cause for satisfaction that the new ITT had adopted the Pathway timetable.
- d) The position on funding was noted. The Chairman, Mr Todd and Mr Oppenheim would meet to decide on the way forward.
- e) Mr Oppenheim said the work which Pathway had done on risks had so far been very successful with only four "B2" risks left - relating to fraud. It was believed the customer would regard this as satisfactory. Work continued on defining and refining Pathway's own approach to its own Risk Register.
- f) Mr Oppenheim would now prepare Board Reports based on Pathway as a Project, and would also monitor cashflow on a daily basis, reporting periodically on this. He would also report profit and loss effects for the ICL Group, including forecasts to ICL.

96/33 PROGRAMME PLANS

Mr Austin reported and there was a discussion. Points noted:-

- a) Mr Austin reminded the Board of the proposed solution which could be seen in three "layers". An Post, Escher and Pathway were relatively confident that the Post Office layer would work satisfactorily from early on but the interfaces between the TMS layer and the Central Services layer were causing concern. Mr Austin was working on this as a high priority, he would liaise with Escher in particular.
- b) The schedule summary was noted and Mr Austin explained the proposals for the first operational trial beginning in September. This would involved payment of one benefit - child benefit - to 1500 recipients through ten Post Offices in Stroud, Gloucestershire.

- c) Mr Austin explained the matters he was currently focusing on which included the detailed programme plan, finance and manpower resources and the operational trial. The post award priorities were noted, particularly the need to settle the functional specification.
- d) Mr Austin explained the top ten risks which he saw at present.
- e) The Board discussed the security of the solution and Mr Murphy explained the very high security features embedded in the Esher software. These were very much state of the art although there was some delay in the customer accepting this, mainly because being non-UK elements were unfamiliar. The Chairman offered his assistance in arranging a meeting with, for example the head of GCHQ, if the customer continued to delay.

Mr Bennett

96/34 **RISK REGISTER**

Mr M Bennett gave a presentation explaining the final risk register and the risk process and analysis.

He explained the key risks on the commercial, technical, developmental and operations fronts. Pathway continued to work for greater definition of the risks and to put mitigation plans in place.

96/35 **DATE OF NEXT MEETINGS**

The next meetings would be held between 5 and 7pm on 22 May at ICL Beaumont, Old Windsor and between 2.30 and 4.30pm on 27 June at ICL, Putney.

The Secretary would fix dates for Board meeting for the rest of the year from late July onwards, including August, which would be a critical time leading up to the first test.

Unfortunately the June date had not been suitable for the Chairman but he had kindly agreed the change his arrangements accordingly, since this was the best date for all the other members of the Board.

**GRO**