

FILE NOTE: Meeting with DTI/DSS and BA : 22nd September 1998

Present: David Sibbick (part - George McCorkell, BA
Isobel Anderson (Part) - Sarah Graham, DSS
Paul Rich (POCL)
Mena Rego (POCL)

1. David Sibbick (backed up by Sarah Graham) emphasised the following points re: Ministers meeting/decision. Ministers expected the following:
 - a month means a month in terms of conclusion of the negotiations
 - a coherent public sector position towards ICL
2. For Sarah Graham (not necessarily Ministers) this meant an agreed line/agreed spokesman. She believed this was Graham Corbetts expectation too.

She proposed Hamish Sandison. This was rejected by Paul Rich. As was the concept of a 3rd party spokesman. Issue was carparked - but POCL are clearly expected to suggest an alternative. The notion of alternating the lead depending on the issue was floated but not developed.
3. Ministers "think" they've agreed.
 - Renegotiation of contract terms covering a limited extension of contracts, very limited changes in terms of price.
 - The object of the next month was to assess if the project could be continued in a way that is commercially acceptable to ICL Pathway.
 - Any differences between POCL and BA need to be resolved outside the forum with ICL Pathway.
 - Noted ICL had high expectations.
4. PR made the following key points:
 - POCL would much prefer a joined up approach to ICL.
 - It was difficult to be joined up on all areas, particularly on tactics, (as recent experiences had shown).
 - POCL was using Stephen Byers letter to Keith Todd as the starting point but needed clarification on the parameters implicit in that letter.
 - POCL believed there was greater flexibility in the EC Procurement rules than the Working Group report envisaged.

- He was POCL's empowered representative in the negotiations but the final result must be acceptable to the PO Board.
5. George McCorkell confirmed that this was his position vis a vis BA and Peter Mathison.
- From a BA perspective he was operating under financial constraints. Any deal that was negotiated would require Treasury concurrence. Treasury would be looking at overall value for money.
 - In terms of procurement rules there was a difference in their application to BA and POCL and these differences needed to be recognised.

BA/DSS provided the following clarification of parameters arising out of Ministerial decision:

- the extension to September 2007 incorporated an 18 month wind-down period
- no more money of any significant level was available. A shift around in terms was acceptable but nothing to alter the terms under which the contract was let
- Pathway could not expect to achieve a return on investment to the full extent.
- By the agreed end date it was envisaged that ACT would be in place for the majority of Benefit recipients >90%
- BA could extend POCL's contract in some way
- What ever the outcome DSS wants to work with POCL

MEETING BETWEEN BA/DSS AND POCL

- GMcC indicated that the Continuation option envisaged floor to September 2006 (NB: this was not set in concrete).
- BA are keen to work with POCL on joint implementation of ACT migration.
- A key factor in this option was how quickly POCL could get a Banking Solution in place.
- GMcC saw two options for Banking:
 - (i) POCL produce a specification, design/build a solution and seek several Banking partners.
 - (ii) POCL produce a solution with a major Banking partner and offer its services through that partnership.
- Timing was an issue - any attempt to push back the dates of ACT would provoke a Treasury reaction.
- There was no concession available on prices rises.
- BA expected price discounts from Pathway to apply in calendar years - rather than to be deferred in line with re-plan timescales.
- BA would expect POCL/Pathway to take joint implementation risks.
- BA don't want to be seen to reward a failing PFI.

- Move to compulsory ACT was planned for Jan 2005 - September 2007.
- BA would provide POCL with details on ACT volume changes that they provided to Treasury (but these would not include effect of periodicity changes).
- BA were curious to know if Pathway had been promised extra volume from other POCL initiatives. (Paul Rich confirmed they had not - but that they had ambitions, not dissimilar to POCL's for greater involvement in other Government initiatives. It should not be assumed that delivery of POCL business strategies would involve Pathway as a matter of course).

*NB There was indications that:

- GMcC was not committed to the card being part of the continuation option. (When questioned later about BA's preparedness to deliver migration of benefits to payment card he professed he could provide dates if Pathway could!)
 - GMcC was positioning himself as the "good guy" towards POCL as opposed to Treasury (presumably DSS rep in Treasury)
 - GMcC said he was negotiating with Treasury money - not BAs (Watchpoint!)
 - there were indications that before moving to ACT there would be periodicity changes in benefit changes. Sarah Graham was somewhat evasive about when/impact on volume - alluding vaguely to Ministers, policy decisions
- Paul Rich explored with GMcC if there was scope for POCL to obtain improvement in the contract terms envisaged in Option 1, in exchange for POCL securing agreement with Pathway on a number of issues. This was clearly a possibility.