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1105.

To:

MR MCCARTNEY

From:

DAVID SIBBICK

Director Posts

CGBPS

BPR GRO

GRO

cc Secretary of State
Sir Michael Scholar
Mr Macdonald
Mr Baker
Mrs Britton
Dr Fraser IBB
Dr Hopkins CII
Mr Whitehead CGBPS 1
Ms Anderson CGBPS 1

1. M. Leese
2. Mrs Chandyand / JH

11 February 1999

BA/POCL AUTOMATION PROGRAMME: HORIZON

Issue

Geoff Moore has kept you in touch with the latest unilateral action by the Benefits Agency which has threatened - and still potentially threatens - the stability of the Horizon programme at this difficult and sensitive stage. This note records where we now stand and the likely next steps, and also sets out a little of the background for copy recipients.

Recommendation

You will wish to note as additional background the discussion you hope to have shortly with the Chief Secretary on progress towards deciding the future of the Horizon project. POCL officials will be pursuing with their BA counterparts and I will continue to work with Treasury and DSS colleagues to secure an acceptable outcome.

Timing

Routine: to note only at this stage; I will update you further as necessary before you meet the Post Office Board on Monday.

Background

At a meeting on Tuesday afternoon BA representatives advised their POCL counterparts that they had decided unilaterally that the addition to Horizon of multi-benefit provision should be deferred by six months, that this was not negotiable, and

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that BA had already put a stop on all work on multi-benefit within CAPS. You will recall that CAPS is the BA computer platform which provides the essential feed of benefits data into Horizon. At present only one relatively minor (in numerical terms) benefit - child benefit allowance - is operational on Horizon. The multi-benefit provision referred to would add the remainder, including most importantly the payment of pensions. BA left it to POCL as Horizon programme managers to notify ICL of this change, which POCL duly did.

In the short term, deferring by six months the addition of multi-benefits to Horizon makes little difference to POCL as they will continue to be paid by BA for operating the existing paper-based system of payment. The deferral is, however, hugely important to ICL's already rocky business case. The need to keep their development team together for an additional six months at a cost of some £10 million a month, coupled with a reduction by six months of the payback period before the end of the contract, will worsen their business case by £ several tens of millions. There is however a further and potentially more serious implication affecting both POCL and ICL. It is that this delay is a deliberate ploy on the part of the Benefits Agency to reduce still further the length of time a benefit payment card for these key benefits would remain in force before the move to ACT. The argument for bypassing the benefit payment card altogether and moving straight to ACT would then become overwhelming.

ICL could hardly fail to interpret notification of the deferral as anything other than stemming directly from decisions by Ministers, and probably designed to push ICL into a position where they felt they had no alternative but to withdraw from the Horizon project. I was able to obtain from my Treasury colleague a categorical assurance that the Chief Secretary neither unilaterally nor in conjunction with Lord Falconer had taken any decisions on the future of the Horizon project. I was unable to contact my colleague in DSS or indeed anyone in that department with any knowledge of BA's action.

On Tuesday evening I spoke to John Bennett the Managing Director of IC Pathway who confirmed my fears that ICL had indeed assumed that BA's action stemmed directly from a decision by ministers. ICL had already consulted Masons, their lawyers, even though they had not yet received any formal notification in writing of the change. I assured John Bennett that Ministers collectively had reached no decisions on Horizon, and that so far as I had been able to ascertain the Benefits Agency had acted unilaterally. John Bennett said that he had been told by POCL that the Benefits Agency claimed to have taken their action with the full knowledge and approval of "the highest levels within DSS". I said that I fully appreciated the seriousness of BA's action for ICL, but urged John Bennett not to take precipitate

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action until we had an opportunity to understand better the basis on which BA had acted.

I spoke in the morning to my DSS colleague who insisted that DSS had no prior knowledge of the BA action. She agreed with me that it was extraordinarily unhelpful to destabilise ICL's already tense and nervous position when Ministers were in the final stages of trying to agree a way forward.

The story that emerged after a further lengthy series of exchanges was that before Christmas, as we know, ICL announced that the need to resolve certain technical incompatibilities between Horizon and POCL's computer systems had introduced a six week delay to the start of next key testing stages of the programme. ICL and POCL committed themselves to doing everything in their power to claw back most if not all of that six weeks. The Benefits Agency had decided that they would be unable to do so and that the six week delay to the start of national roll-out pushed this into the beginning of the Autumn when key BA staff would be withdrawn from other work to stand in readiness to deal with any remaining Millennium date change problems in BA's computer systems that might arise. The net effect of the six week delay was therefore to put back work on the multi-benefit development work within CAPS by six months. POCL and ICL utterly reject this. They insist that they now have a clear timetable which will enable the start of national roll-out to take place no later than the third week of August, well within the window between the end of July and the end of September agreed by all parties in the replan of the programme which formed part of last year's negotiations under Graham Corbett.

The result of my approach to DSS was the a letter from the Benefits Agency to POCL claiming that their earlier statement had been misunderstood, that they were not acting unilaterally, that they were proposing to reduce, not cease, their efforts on multi-benefit work in order to help ensure the success of roll-out with single benefit, and that they were prepared to negotiate with their partners a replan of the timescale for introducing multi-benefits. To the extent that the letter is an attempt to diffuse the situation, it is clearly helpful. But it remains to be seen whether BA really have backed off their proposal under pressure from DSS, or whether the letter is little more than disingenuous window dressing. The negotiations that will now take place urgently between the contracting parties over the next few days should make this clear. The action notified by the Benefits Agency on Tuesday clearly was unilateral in that it was strongly opposed as both unnecessary and seriously damaging by both of the other two contracting parties. POCL also have in their possession an internal BA document instructing that all work on the multi-benefit aspects of CAPS should cease forthwith for a period of six months. This intention was also signalled unequivocally in a letter a few days earlier from BA to POCL. I

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have advised ICL of where matters now stand and they will take no further action,
at least for the time being.

DAVID SIBBICK