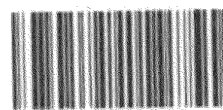


**ICL Pathway**  
*Bringing*  
**Technology**  
*to Post Office*  
**Counters &**  
**Benefit Payments**

**Monthly**  
**Progress**  
**Report**

**ICL**

**May 1999**



POH-397D



ICL Pathway

**Programme Monthly Report**Ref: PA/REP/038  
Version: 1.0  
Date: 14/06/99

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**Document Title:** ICL Pathway Monthly Report - May 1999**Associated Documents:**

	Reference	Vers	Date	Title	Source
[1]	PM/PRO/002	1.0	26/09/96	Pathway Programme - Project Planning, Reporting and Control	

**Approval Authorities:**

Name	Position	Signature	Date
J. H. Bennett	Managing Director		



# ICL Pathway Monthly Progress Report

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-  Customer Service Report
-  Quality & Risk Report
-  Business Development Report
-  Implementation Report
-  Organisation & Personnel Report
-   Post Office Client Report



# Managing Director's Summary



## Managing Director's Summary

**PROGRAMME PROGRESS**

- The final 50 Post Offices were installed to NR2 status on target for Friday 28<sup>th</sup> May, bringing the total population of live Post Offices to 299. This allowed the core observation period to begin, on schedule on the 31<sup>st</sup> May and this will run for eight weeks.
- The next scheduled release of software is Live Trial 2 (LT2) which is scheduled for the 12<sup>th</sup> July. This will clear outstanding Acceptance Incidents, include Change Request for all of the improvement to Office Balancing, and will enable the disabling of the Benefit Payment System to take place.
- Work is continuing to schedule and plan the CSR+ release recognising the removal of BPS related components. The planning date remains April 2000 although this will require special attention to be given to the Key Management System (KMS) which unless de-scoped or phased will cause the release date for CSR+ to be rescheduled.
- All the Year 2000 testing is now fully complete and has achieved full compliance.
- New work is required on OBCS reflecting its change of status from a transition service to a full national service. As a transitions service it required at any one time only to support 25% of the full network and clearly now needs to be scaled to cover the 100%. This work is in hand.
- Office Balancing. This has been reported for some time now and the task remains serious and comprehensive. We have established a Task Force in Pathway to pull together actions which spread across several directorates. The first practical movement has been the rapid inclusion of eight Change Requests from POCL which should help simplify elements of the system so far delivered which is conformant to POCL requirements. We are pressing upon POCL the need for them to put together a Task Force under an empowered manager, when this is achieved we then will press to have both Task Forces joined together. Resolving this in the short number of weeks between now and National Roll-out is critical otherwise the risk of starting NRO on time will be serious as indeed will the subsequent beat rate of office automation.

**ACCEPTANCE**

- With the removal of BPS from the contract, seven of the twenty-five Acceptance Specifications go out of the system and these seven include the two which were previously outstanding and awaiting agreement.

- All the Acceptance Trials Closure Reports have been submitted to POCL and of these POCL wish to retrospectively test five of them. This activity is scheduled to complete during the last week of June.
- There remain just two Acceptance Review packs to be completed and handed over to POCL. Following the Review Packs there are Review Meetings to resolve any outstanding issues and so far we are approximately two-thirds of the way through the Review Meetings with the balance to be completed around the middle of June.
- In terms of the current difficult areas to resolve for Acceptance, these now include Office Balancing, the provision of a third Data Centre and 24 hour operation. These are quite difficult issues to resolve and we must expect more to be raised as the deadlines for completion become nearer.

## **PROGRESS**

- As a result of the ICL plc results announcements we were able to demonstrate the Pathway system to groups of bankers, financial analysts, industry analysts, trade press and national press. This proved to be extremely effective and killed off any suggestions that ICL's software was in anyway flawed or in difficulty. The net result is that the overall press that we have received was generally better than anticipated and stressed very much the issued lay with Government rather than with ICL as a supplier. Also the position of ICL in its plan for flotation in the year 2000 were preserved.
- We have now signed the first CCN against the new contract and this is for £300k for smartcard changes for the Bill Payment Service.
- Deutsche Poste have come back into London to discuss with us their automation programme. This is the first time they have visited us since signing their contract with Siemens. We are carefully evaluating and qualifying the opportunity for a commercially sound work programme.

## **COST DOWN**

- We have put together a time and materials charging mechanism for work we are doing for the Benefits Agency to allow them to migrate existing benefit card holders back to paper order books. Estimates for this work which will be completed by mid-July vary between £2-4m.
- We have begun the process of headcount reduction either by removing freelance or permanent people or closing down approved vacancies. The collective position so far is a new reduction in planned manpower in 1999 by approximately 35 staff. Second level reviews will take place shortly and these will generate some further savings although this task will be somewhat more difficult than the work so far completed.

- All appropriate sub-contracts centred round the Benefit Payment System have now been formally cancelled and a number of these carry no compensation clauses. However the two largest ones are with De La Rue who were contracted to provide the benefit payment card and Girobank for their Payment Card Help Desk. Negotiations on these compensations have yet to begin but are certain to prove difficult.

## **ISSUES**

- We need a major programme to re-build customer relations following the traumatic arrangements which brought the new contract into force. We have a substantial way to go on this with POCL before this contract is in good order.
- The deadline of the 16<sup>th</sup> July for completing the codification of the new agreement is tight and requires positive POCL attitudes.
- Acceptance is now reaching the critical phase and the next four to six weeks will increase in pressure.
- We need to continue the downward pressure on manpower planning and resources and look for imaginative ways of short, medium and long term cost reductions.
- The management team need to work extremely hard on staff motivation and morale. This last twelve months has been hard on time and pressure and uncertainty and changes of direction are unsettling and demoralising. However most staff do reflect a sense of relief of knowing the way forward and this is the firm platform to build upon.
- Overall we have to establish a new way of working with POCL, a new style of contract, a new form of relationship and a more focussed, energetic and faster decision making process to implement this opportunity.



# Systems Report





## Systems Report

**MONTHLY SUMMARY**

- Migration of the Release 1c counters to NR2 completed on 7<sup>th</sup> May as planned and the Data Centre at Wigan was decommissioned and Bootle brought online during the weekend 8/9<sup>th</sup> May. An additional 103 of the larger outlets, some with 13/14 counter positions were successfully installed during the period 17<sup>th</sup> - 28<sup>th</sup> May.
- Although a few software problems were encountered during this period, they were low in number and the majority have now been fixed and handed over for testing and distribution.
- The Live Trial 'Observation Period' commenced 31<sup>st</sup> May and is due to cease 23<sup>rd</sup> July. A software upgrade known as 'LT2' is scheduled to be implemented 12<sup>th</sup> July, just before the end of this observation period. This contains fixes designed to resolve acceptance incidents and implements a number of change requests to simplify the weekly balancing and accounting processes. It also contains the BPS disabling changes which result from the recent POCL/ICL agreement.
- The Development Directorate has been focusing on fixing live incidents and addressing the problems found during acceptance testing in the LT2 upgrade which has a cut-off date 7<sup>th</sup> June. In addition, work has been continuing on the CSR+ release i.e. LFS, AP Smart, KMS, VPN and the enhancements to existing products. Development activity on BPS and the Data Warehouse and the testing activities associated with multi-benefit and online enquiries has now been stopped.
- The new organisation structure for the Development Directorate became operational from 4<sup>th</sup> May but this is now being reviewed in the light of the recent contractual agreement. The additional and diverse workload anticipated may not now materialise in the immediate future, so the model which the structure was based upon may no longer be appropriate.

**PROGRESS**

- All the regression cycles for LT2 (system testing and business integration testing) have been progressing well i.e. EPOSS, TPS, Counter Migration, RDMC, Data Warehouse/MIS, OBCS, APS, APR, Training and BPS although the latter has now been stopped.
- The planning and preparation for the Roll-Out Test Bed (ROTB) activities is also progressing well and on target. This confirms that the end to end system functions properly support the volumetric requirements of the roll-out installation programme e.g. RODB, AutoConfiguration etc.
- All the currently planned Y2K tests have been completed and level 5 (full) compliance attained.

- Reviews are now taking place to determine the full impact of removing BPS on the Host systems layer architecture, throughput sizing, test rig requirements, the Data Warehouse and Security. In addition, the impact of the change of contract on the Government Gateway and the Generics Delivery Streams is being assessed.
- Some slippage is occurring on the development of CSR+ and each area is being addressed. There is no indications at this stage that the delivery in April 2000 is in jeopardy except for KMS which is on the critical path and subject to special attention. The delivery plans for CSR+ have not yet been agreed with POCL so the current plans are draft only, incomplete and include our assumptions regarding the interfaces with Horizon (e.g. joint testing) and handover dates. Meetings with Horizon and POCL have been arranged throughout June in an effort to resolve this issue.

## **COST DOWN**

- The manpower implications of the recent Government decision (24<sup>th</sup> May 1999) to abandon the Benefit Payment Card will quickly filter through the Programme in June. The BA Delivery stream will be reduced to only those people required to close down the BPS service tidily and to determine how best to remove all the relevant code without destabilising the system.
- The impact of the change on our data centre hardware configurations is being evaluated and reports are also expected in June.

## **CURRENT CRITICAL PROBLEMS**

- The CCN for the SPM Smart module for British Gas related to CSR+ has still not been approved by POCL. They have been informed that if approval is not received within the next few days, the development work will stop.
- Progress on the Key Management System for CSR+ is slipping and the development schedule is being reviewed in detailed to establish whether the functionality can be descoped or phased, particularly in light of the decision to remove the BA requirements.

## **ISSUES**

- The removal of the Benefit Payment Card may have performance and sizing implications on the Order Book Control System (OBCS). This system was modelled to handle approximately 25% of the network traffic and now has to deal with the entire network. The initial indications are encouraging but further work has been commissioned.

- The current system design relies on a reboot of the counter in the early hours of every morning to overcome memory leakage problems and to ensure that distributed software and data changes are properly actioned. This can in certain circumstances mean that we cannot support 24hour operation, a contractual requirement.
- BT and Energis have indicated that there will be approximately 85 - 100 outlets with no land network connections possible. They are suggesting that we should consider a satellite solution and this is being evaluated. If this is unsatisfactory, we are facing the proposition that these outlets will continue to operate manually or will be closed. Subsequent negotiations with POCL are expected to be very difficult.
- We have not yet been able to find an acceptable working solution for the light weight mobile configurations i.e. those required to be carried and operated in a variety of remote locations every day, approximately 250 of this type have been identified.
- The future strategy regarding the desktop architecture is unclear. This will be influenced by the future needs of POCL in terms of business process re-engineering and their approach to Network Banking and Government Gateway.
- EMC is undergoing trials in the US and the UK. Progress to date has shown that we can process the transaction volumes expected from approximately 8000 outlets using SCSI and this could be increased to 10,000 outlets if we installed dual SCSI. This issue would have been elevated to *critical* status now if we were still implementing the Benefit Card System. The current view is that the configuration should be able to handle the combined traffic of OBCS and POCL transactions for the entire network but this has still to be validated. Implementing Fibre on NT still has its attractions for balancing the workload so we are continuing with the testing activities for the time being.
- Clarification of the LFS/EPOSS requirements for non-valued stock declaration is required urgently. This is being addressed internally before engaging with POCL.

## COSTS

- The Development Directorate has now succeeded in recasting the budget to reflect the new organisational structure. The 1999/2000 forecasts will now be based on this structure and will continue to be the subject of regular financial reviews throughout the year. The manpower savings which result from the removal of the benefit card system will be reflected in the July forecasts.



# Commercial & Financial Report



Commercial & Financial Report

## **CONTRACTUAL PROGRESS/TIMETABLE**

### **CODIFICATION UNDERWAY**

- clauses - 1<sup>st</sup> draft has revealed some but not many issues to be resolved (e.g. fraud) - generally positive
- schedules - Version 8.1 baseline agreed
- CCNs and A2As distilled - high level of agreement - but CCN pipeline and 10 A2As still to be agreed
- Requirements agreed except for 2 issues, perhaps 3
- drafting allocated between parties
- outline Gantt chart shows completion by 16<sup>th</sup> July
- However, there are some issues of principle - See Key Legal Issues

## **KEY LEGAL ISSUES**

### **ACCEPTANCE**

- POCL claim right to have us redo all acceptance specs to new contract (taking out BPC & adjusting for risk transfer)
- concept of 'new or modified attributes', hence new tests
- implication is delay of months

### **'RELIANCE ON DSS REQUIREMENTS'**

- POCL claim that they are entitled to 'rely on' certain Requirements which happened to be specified in the DSS contract but which 'still apply to the Core System'

### **THE 'WHAT ARE WE BUYING?' QUESTION**

- POCL infrastructure with just sufficient capacity to meet SLAs under Core System use, or
- the POCL infrastructure capacity which we would have supplied had BPC gone ahead?

### **RATE OF ROLL OUT**

- 334 per week or 300 per week?

- more a practical than a legal issue (probably)

## **DISPUTED REQUIREMENTS**

- EPOSS as a separable service (option to delete)
- part of 'Irregular encashment profiles' (fraud)

## **HOW TO TREAT POCL REQUIREMENTS NOT IN CSR**

- delete those Requirements (not agreed), or
- list exclusions to Requirements (no mechanism), or
- specify CSR+ with exclusions (requires agreement), or
- leave as is (Agreement to Disagree, later)?

## **CONFORMANCE OF CERTAIN CCDS**

- POCL want SADD, SFS (and Acceptance specs) re-done

## **CCNS AND A2AS YET TO BE AGREED**

- Acceptance spec for POCL Infrastructure (as was)
- 3<sup>rd</sup> datacentre (solution to be tabled/sold)
- PPDs, Report & receipts, Style Guide (conformed)
- Release Contents Definition for CSR (conformed)
- RCD CSR+ (identifying Requirement exclusions)?
- Business continuity plans (to be completed)
- Benchmark transaction times adjusting for BES
- Release policy post CSR+ (to be conformed)

# **BUSINESS CASE**

## **OVERALL PROJECT LOSS**

- £120m loss before refinancing
- £50m loss after refinancing (£131.7m)
- approaching break even at Group level
- before additional business

## **GOING FORWARD PROFITS**

- £130m at Pathway level (£180m - £50m)
- to be released pro rata to revenue as milestones achieved

## **THIS YEAR, NEXT YEAR PROFITS**

- subject to milestones being achieved
- £24m in 1999/2000, £35m in 2000/2001

## **RISKS**

### **'BUSTED' POCL REACTS AGAINST PROJECT**

- continued £ negotiations with HMG and DSS, plus
- strenuous attempts to recover lost ground from us
- meanwhile, stalling tactics to keep options open

### **REACTION MANIFESTS ITSELF AS**

- Acceptance delay - programme (e.g. cash account) or contractual
- deadlock over interpretations of Letter Agreement and Heads

### **CONSEQUENCE (MEDIUM TO HIGH RISK)**

- Acceptance delayed to October or later
- Roll Out start delayed to January (high risk) or March (medium)
- Worst case pushes all POCL spend into 2000/01(unlikely)

## **OTHER RISKS**

### **£8M APRIL-MAY FUNDING AGREED BY TREASURY**

- rejected by POCL (Treasury did not get their agreement)

### **DOWNSIZING**

- adverse impact on other parts of ICL (Outsourcing, A&TC)

### **LOSS OF KEY SKILLS UNLESS R3 INITIATED QUICKLY**

- POCL need to commission work within 2 months

### **CONTRACTUAL HANG OUTS**

- '3<sup>rd</sup> data centre' - technical issue with Feltham / West Gorton
- capacity baselining to BPC level - implies higher comms traffic as well as more equipment

- transaction times: 1 second = £5m+ p.a. in LDs

## **CASH FLOW**

### **VERY SENSITIVE TO DELAY**

- Acceptance = £68m
- 1800 post offices (300 + 1500) = £90m
- 2 month slip => £10m -£100m impact in 1999/2000
- N.B. Peak cash goes from £370m to £470m
- vs. ICL Treasury assumption of £420m

### **ROLL OUT COSTS ARE BEING COMMITTED NOW**

- equipment (PCs, etc.)
- training resources (Peritas)
- post office modification resources (WTL)
- installation resources (Exel, Celestica)
- field service and help desk staff (Outsourcing)

## **COSTS**

- The Controller's report follows.



**MAY ACTUALS 1999****KEY NUMBERS (£000'S)**

		Month	Cumulative	
		Actual	Actual	Variance vs. Forecast
Trading/Project Costs:	Revenue	32	57	(102)
	Project Costs before Capitalisations	4,176	14,019	892
	Declared PBT Losses	134	247	(40)
Cash:	Business Operating Cash Flow		(26,697)	2,065
			End of May 1999	
			Actual	Variance vs. Forecast
Balance Sheet:	Project WIP		97,762	933
	Net Fixed Assets		40,079	(380)
	Total Borrowings		259,149	2,065
Headcount:	Permanent		227	37
	Non-Permanent (ITs and Temporaries)		12	7
	(Memo): Freelancers procured through ICL IT Contractor Services		200	2

**Summary:**

Variances versus forecast abound this month, given that the forecast pre-dated the revised contractual arrangements with Post Office Counters Limited and the withdrawal of the DSS from the previous PFI arrangements. The forecast was also struck before the £180 million provisions were finalised, but relevant comparatives in the cash flow and balance sheet areas have been re-stated to reflect the provisions.

Project costs were lower than forecast, due to a combination of charges from other parts of ICL still being in catch-up mode and lower depreciation because of the March provisions. A credit of £6m was taken relating to a Government contribution to costs during the delayed Treasury Review. This is a conservative £2 million lower than the amount forecast (and invoiced), allowing for the possibility of a lower auditable figure.

Borrowings levels were over £2 million better than forecast, due mainly to working capital control.

ICL Pathway

**Commercial & Financial Monthly Report**Ref: PA/REP/038  
Version: 1.0  
Date: 14/06/99**MAY ACTUALS 1999****PROJECT COST ANALYSIS (£000'S)**

	Month	End of May 1999	
	Actual	Actual	Variance vs. Forecast
Revenue	32	57	(102)
Direct Cost of Sales	2,329	4,388	602
Gross Margin (Deficit)	(2,297)	(4,331)	500
Opex:-			
Labour - Own Staff	947	1,844	40
Travel & Subsistence	66	114	3
Freelancers	2,069	4,102	338
ICL Subcontracts	1,687	2,221	1,003
Other Subcontracts	264	680	145
Depreciation	864	2,390	762
Marketing	21	69	33
Professional	295	467	37
Other opex	(5,563)	(5,181)	(1,964)
Gross Project Opex	650	6,706	397
Interest costs	1,229	2,982	(5)
Costs before Capitalisations	4,176	14,019	892
Declared PBT Losses	134	247	(40)
Capitalised into WIP during year	4,042	13,772	932

**Comments:**

The revenue forecast for the month was based on invoicing for the first month of Post Office transactions under the PFI contract. This was partly souppered by the new contract terms. The accrual for the part-month that can be now be invoiced (up to 24th May) has been conservatively drawn.

Cost of Sales favourable variances of over £600k were mainly centered around lower outsourcing and support charges from OSD.

Freelancer costs were well down on forecast, due mainly to lower average hours worked but the main favourable variance arose on ICL subcontracts, where the invoicing situation is still sorting itself out, following re-allocation of responsibilities amongst supplying entities; notably the old Outsourcing Division and A&TC. Other subcontracts were also lower than forecast, thanks in part to a negotiated reduction in fraud risk management charges from Girobank - a service which will now no longer be required.

Depreciation charges were £762k lower than forecast, thanks to the exceptional charges taken against certain assets in the 1998/99 accounts; half of the variance relates to April. The large credit shown in other Opex includes £6 million in respect of the contribution to costs during the delayed Treasury review. An invoice for £8 million (the ceiling figure) has been raised, but the credit to project costs includes a hopefully conservative provision for audit adjustments against what is a rather woolly description of what constitutes allowable costs.

**MAY ACTUALS 1999****HEADCOUNT****Permanent Headcount**

Development  
Implementation  
Customer Service  
All other departments (UK Project)  
Total - UK Project  
International Sales

**Totals - Permanent Staff**

End of May 1999	
Actual	Variance vs. Forecast
54	5
60	7
60	11
51	12
225	35
2	2
227	37

With the recent contract revisions, manpower needs across the business are being re-assessed in detail.

Permanent recruitment continues to lag the forecast growth profile.

**Non-Permanent Headcount****Industrial Trainees and Temporary Staff****Freelancers (sourced through ICL IT Contractor Services)**

Development  
Implementation  
Customer Service  
All other departments  
Total - UK Project  
International Sales

**Totals - Higher Skills Freelancers****Totals - Non-Permanent Staff**

End of May 1999	
Actual	Variance vs. Forecast
12	7
171	(4)
3	1
6	1
19	(1)
199	(3)
1	5
200	2
212	9

A wholesale re-organisation of the former Systems and Programmes areas into delivery-oriented Development streams became effective during May. All but the core sales and project management resources within the International Sales area have become part of the mainstream Development resource.

Grand Total - UK PFI Project  
Grand Total - International Sales  
**GRAND TOTALS**

436	39
3	7
439	46

ICL Pathway

**Commercial & Financial Monthly Report**Ref: PA/REP/038  
Version: 1.0  
Date: 14/06/99**MAY ACTUALS 1999****CASH FLOW (£000'S)**

Inflows/(Outflows)	Cumulative	
	Actual	Variance vs. Forecast
Net Project Costs - capitalised into WIP	(13,772)	932
Project costs taken straight to P & L	(247)	(40)
Depreciation	2,390	(762)
Movement in other Working Capital items	(9,691)	1,552
Fixed Asset Additions	(5,377)	383
<b>Business Operating Cash Outflow</b>	<b>(26,697)</b>	<b>2,065</b>
Opening Net Borrowings	232,452	-
Closing Net Borrowings	259,149	2,065

**BALANCE SHEETS (£000'S)****Comments:**

The forecast balance sheet has been adjusted to reflect the £180m provision taken in March. This was spread as follows:

Fixed Assets: £9.8m  
Project WIP: £140.2m  
Other WIP: £30.0m

The lower than forecast project costs, the better than forecast working capital levels and lower than forecast capital additions combined to give a borrowings level which was £2.1m lower than forecast.

At the time of writing, the £8m invoiced to POCL following the offer of the cost contribution by HM Treasury has not been received, in spite of the supposed 7 day payment terms.

Net Fixed Assets  
Project Work in Progress  
Other Working Capital

Totals

Share Capital  
Retained Earnings

Group Pooled Borrowings  
Internal loans  
External Loans  
Total Borrowings

Totals

End of May 1999	
Actual	Forecast
	(adjusted)
Net Fixed Assets	39,699
Project Work in Progress	98,695
Other Working Capital	(39,563)
<b>Totals</b>	<b>98,831</b>
Share Capital	20,000
Retained Earnings	(182,383)
Group Pooled Borrowings	13,094
Internal loans	75,000
External Loans	173,120
<b>Total Borrowings</b>	<b>261,214</b>
<b>Totals</b>	<b>98,831</b>





# Customer Requirements Report

## Customer Requirements Report

**MONTHLY SUMMARY**

- The withdrawal of DSS from the Agreements removed seven of the 25 Acceptance areas. In addition Horizon has indicated that a further area will not now be pursued. The DSS withdrawal has also removed the two Acceptance Specifications that DSS and POCL refused to approve, and several of the issues that were previously a concern.
- The final Acceptance Trials Closure Report was published and we are now about two-thirds the way through the Acceptance Reviews and on target to complete these by mid June.
- There is currently one significant Acceptance Incident and this has been aggressively dealt with.

**DETAILED PLAN ACTIVITIES****RELEASE CSR**

- Tony H and Dave H have helped define and put into effect the plan to allow the DSS to withdraw from the Agreements and begin the process of removing the cards from the pilot populations.
- POCL has agreed that Pathway will be responsible for producing the drafts of the Requirements and Solutions Schedules for the new contract.
- A revision of the Requirements texts has been produced to provide the first draft of the new POCL Requirements Schedule. This schedule in effect fixes the Acceptance Criteria for use during contractual acceptance of Core System Release (CSR). A matching revision of the Solutions texts is in progress.

**RELEASE CSR+**

- The Security Functional Specification Version 4.0, originally targeted at NR2+, was produced, together with the companion Access Control Policy document.

**CCNS / CRS / CPS**

- CCN 474, which facilitates the withdrawal of DSS from the Agreements was raised and progressed through to approvals within two days.
- The eight CPs and the matching CCNs associated with the activities to address Acceptance Incident #218 were raised. Development is well advanced and will mostly meet the manufactured build deadline for CSR.
- CCN434b to update the Cash Account format to handle year-end changes was output.

**ACCEPTANCE SPECIFICATIONS**

- The two specifications on which approvals were outstanding, BES and Service Boundaries, are now no longer required. Where Acceptance Criteria within a continuing specification are affected, revised Review Packs have been issued showing the new Criteria by striking through as necessary.
- Horizon has indicated it wishes to dispense with the Acceptance Test "Schedule C3". This is a particularly complicated area that only references other test areas in several selective ways. It does not add any real content to Acceptance but provides scope for disputes.
- The revised Requirements schedule in effect contains the Acceptance Criteria as they now should stand. The changes are nearly all straightforward removals of DSS Requirements, or DSS-specific elements of Requirements. The few exceptions concern the transfer from the old DSS or Joint Agreements material missing from the old POCL Agreement. The area at contractual risk is OBCS, particularly Requirement 956.
- We have not yet received formal approval of the POCL Infrastructure Acceptance Specification although the associated Change Control Note is now overdue for approval. It is not believed to be problematic.

**ACCEPTANCE TRIALS**

- The "retrospective witnessing" activity is now formally defined to cover five areas and Horizon has committed to complete approvals by 25<sup>th</sup> June, now, in fact, the pacing Acceptance item overall. Horizon has also indicated that one of these areas, POCL Infrastructure, will not now require this activity.

**ACCEPTANCE REVIEWS**

- As at 4/6 five of the 17 areas had completed all Reviews. There were 20 of the (now) 49 or so Review Meetings left to hold and only two further Acceptance Review Packs are now expected to be needed. The latest review will be 15/6. There is a lot of rescheduling of these review meetings, but so far we are holding the line at nothing beyond 16/6.
- The momentum to clear document dependencies for Acceptance Reviews has been maintained over the period of DSS withdrawal. The Processes & Procedures Documents (PPDs) comments were mostly returned on time and were very few. Final "DSS-free" versions of the PPDs were published 7/6 for all except the Operating Environment PPD. For this a few comments were delivered by POCL late and there is one difficult issue to resolve concerning how a five-minute desktop reload is to be scheduled during the dark hours when potentially 24-hour operation of some post offices is required.
- Similar versions of the Reports & Receipts and Style Guide documents have been produced.
- The several documents describing the Contingency Framework were produced and reviewed satisfactorily.

**ACCEPTANCE INCIDENTS**

- Pathway has provided Horizon with a list of the 32 KPR Version 2.10 PinICLs that remain applicable following DSS withdrawal and the progress with EOLT (LT2) to date. Of these eight (all Low) remain due for clearance at EOLT.
- Acceptance Incident #218, formally concerning Managers' Training but where the root cause is the need to simplify the accounting processes during the weekly Cash Account sequence, has been aggressively progressed. Eight Change Requests have been raised officially by POCL and the associated development of the first six completed in time to meet the manufactured National Roll Out build for CSR.
- We are expecting further larger issue-based Acceptance Incidents. Actions are in place to handle those we predict:
  - the need for a fallback data centre in the even that one of the two centres is put out of action - or equivalent
  - running an OBCS Help Desk Facility from the Horizon System Help Desk - it was formerly hosted by the Payment Card Help Line now cancelled.

**NEW BUSINESS**

- No activity.

**OTHER TEAM ACTIVITIES**

- Dave H and Dave J have both been trained in DOORS, the expected company-standard for requirements management tool under the "IESE" initiative.

**CURRENT CRITICAL PROBLEMS**

- None.

**ISSUES**

- It is essential that:
  - the issues surrounding Acceptance Incident #218 are cleared
  - the PPDs are approved as soon as possible
  - the Reports & Receipts document is approved as soon as possible.

# Customer Service Report





## Customer Service Report

**MONTHLY SUMMARY**

- From everyone's perspective, the day-to-day operation of the CSR system is going very well with very few outstanding issues.
- We have experienced some operational problems on the SMC Tivoli systems with event management and software distribution. A service improvement plan is in place.
- Customer satisfaction of the cash account processes each Wednesday remains depressed. Analysis of the calls to the HSH each week indicates that the situation is showing clear signs of improvement.
- Plans for the withdrawal of Benefit Payment Services have been agreed.

**VITAL STATISTICS**

- Installed base: 299 Post Offices, 753 counters
- Number of Cards issued 51,477
- Number of Active Cards in use 33,845
- Total number of BES Counter Transactions 1,260,424
- BES Counter Transactions in month 78,675
- Total value of Benefit Payments received £40.2
- Value of Benefit Payments received in month £2.8m
- Total value of Benefit Encashments made £39.2
- Value of Benefit Encashments in month £2.8
- Total number of OBCS Transactions 8.2m
- Total number of books impounded 21,044
- Total number of EPOSS transactions 842,430
- Total value of EPOSS transactions £29m
- Total number of APS transactions 83,004
- Total value of APS transactions £2.5m

**PROGRESS****OPERATIONS**

- From a POCL and Pathway perspective, the migration to CSR continues to be a major success and no serious issues with the software or system have been experienced.

- Agreement has been reached with DSS and POCL on the closedown plan for Benefit Payment Services. John Wright is managing the plan.
  - From Monday 7<sup>th</sup> June 1999, the PCHL customer line will play a recorded message referring all enquiries on lost stolen or damaged cards to the Child Benefit Help-Line.
  - DLR will cease to process files from Monday 7<sup>th</sup> June.
  - All card payments will cease on 19<sup>th</sup> June and BA will issue stops for all outstanding payments using the online CAPS service.
  - The PCHL will close down at close of play on Tuesday 22<sup>nd</sup> June.
  - The CAPS network interface will be severed on Saturday 26<sup>th</sup> June.
  - Two copies of DSS data will be archived from Pathway systems and delivered to CAPS from 7<sup>th</sup> July. Once accepted, the data will be erased from Pathway's system.
  - A plan for the removal of ICL assets from DSS sites is being prepared and will be executed in early July.
- Take-on of the Wigan data centre is planned for 19<sup>th</sup>/20<sup>th</sup> June. Mike Stewart is managing this activity. There are currently no major issues identified.
- The LT1 to LT2 upgrade is scheduled for 10<sup>th</sup>/11<sup>th</sup> July. There are no major issues with this plan except the overall concern with the SMC software distribution capability.
- Ideally, we require fail-over testing to have been completed before the LT1 to LT2 upgrade to ensure that there is a viable regression plan. The plan and test schedule to achieve this is being worked up but there is a danger that resource shortfalls will force a slippage post LT2.
- POCL were unhappy that we are planning for a 1 day rather than 1 week fail-over test but it is felt that this stemmed largely from the requirements for PCHL availability which is no longer relevant after the withdrawal of BPS. This is being reviewed urgently by Martin Riddell.

## **BUSINESS SUPPORT**

- NR2 has produced very little in the way of incidents received by BSU. There has been a notable reduction in the receipts of incomplete and non-committed transactions as well as very few PAS exceptions. We have had no APS and EPOSS reconciliation incidents save those that are known faults with the Cash Account process or Postmaster errors.
- Staff from the BSU have been in attendance every Wednesday either at HSH or NBSC to assist in dealing with the high volume of Cash Account queries.

## SYSTEM SUPPORT

- SSC staff have been under considerable workload pressure from the Data Centre Migration weekend onwards. They have been called out most nights to deal with system problems although most of these have been repeat problems rather than lots of new issues. The PinICL stack has regularly exceeded 100 calls.
- Steve Warwick has been in attendance at SSC on Wednesdays to assist with problems relating to Cash Account. Within this context he has also spent time imparting his knowledge to SSC staff.
- SMC performance continues to be less than satisfactory. A service improvement plan has been produced and will be managed by Kevin Dowling. Further secondments from the SMC to the SSC have been identified.
- Powerhelp was upgraded during the month but inadequate testing of the OTI interface caused subsequent problems interfacing Powerhelp to PinICL. Kevin Dowling has arranged for OSD staff to manually input calls until the problem is resolved.

## INFRASTRUCTURE SERVICES

- Service performance in May was good and no new customer problems with the system were identified.
- The most serious issue continues to be postmasters' performance of the Cash Account process and rolling over into the next Cash Account Period.
- Customer Satisfaction is still depressed due to the experience of having to perform an electronic cash account process each Wednesday. Support on Wednesdays and Thursdays has been increased with 'expert domains' staffed by Pathway, Peritas and POCL staff. The week on week view is positive in that the volume of Cash Account calls has reduced as a proportion of the number of live-trial post offices.

## CURRENT CRITICAL PROBLEMS

- None

## ISSUES

- OSD Service Improvement Plan for SMC.
- Need for an enduring solution to Cash Account processing problems.



# Quality & Risk Report

## Quality &amp; Risk Report

**MONTHLY SUMMARY**

- QRM has implemented changes as a result of restructuring the contract - the loss of Fraud Risk Management and stopping of recruitment.
- Good progress is being made in Acceptance activities in Security, Audit and Policies and Standards. There are signs of issues emerging regarding lack of awareness or inability to take decisions of POCL staff.
- Changes to Risk Management to reflect the new development organisation are underway, and NRO modelling will be changed to reflect the contractual changes.
- Y2k testing is complete - no major issues. Ongoing monitoring of 3<sup>rd</sup> party suppliers continues, as will contingency planning.
- Progress on internal audits is being maintained.
- Good progress is being made in establishing the security function, including the provision of PACE certification and evidence.

**PROGRESS****FRAUD RISK MANAGEMENT**

- With the termination of the Benefit Card service, the Fraud Risk Management service is no longer required. Support is being given during the transition period and archiving of data and recovery of equipment from Girobank is being organised.

**RISK MANAGEMENT**

- Much work during the month which is not relevant to the revised contract, including unauthorised encashment and PCHL authentication.
- NRO Risk Register - This is in the process of being restructured to reflect changes to the contract and the Implementation organisation. The 'I Think' model was completed, but also now requires extensive revision.
- Development Risks - As a result of the reorganisation, a programme is underway to integrate risk management with the working practices of the Delivery Streams. A pilot is planned to start in June.

## SYSTEM SECURITY

### NEW RELEASE 2

- Considerable support continues to be given to Acceptance. A 'BS7799 Statement of Applicability' was produced to resolve category 'b' incidents. Security documentation has also been amended and baselined.
- Meetings with fraud police have taken place to discuss and understand their relationship with Pathway in the prevention and prosecution of fraud and security incidents.
- Security events from the first week of Live Trial are being analysed to determine the final requirements for the automatic download of security events to the SEM database.
- Physical security audits of all the Regional Offices continue; the final report is due in June.
- Problems have continued with setting up the SecurID Administration workstation.
- Discussions took place with POCL Investigations and Legal staff to progress the provision of Section 69 PACE certificates. POCL are clearly anticipating a comprehensive fraud and prosecution support service from ICL Pathway. We have made it clear that this is not in the core contract - it represents an opportunity for a non core service.

## QUALITY

- Review of Disaster Recovery Planning. Business Recovery, Incident Management and Crisis Management Plans continue. Changes as a result of the Development Directorate organisation are being introduced.
- Policies & Standards Acceptance Test
- Segment 3 review (QMS) was completed without incident.
- Segment 5 Review Pack has been distributed. The response is that the criterion addressed has been accepted without the need for a formal review meeting.
- The Delivered Quality Audit carried out at Cirencester noted concerns relating to ECCO migration impact on installation activities, training of counter staff and office surveys.

## AUDIT

- Acceptance:
  - Acceptance Trials Closure Report (ATCR) has been updated and reissued following BA termination. All Acceptance incidents can now be closed.



- Segment 1. The Acceptance Closure Report has been completed - no AIs.
- Segment 2. The scope of this has changed radically - CCS is no longer required. However POCL commitment for the revised scope is late whilst they understand the implications of the contract.
- Segment 3, demonstration of extraction facility to POCL is now due for 14<sup>th</sup>/15<sup>th</sup> June. It has been delayed due to equipment build issues.
- Internal audits:
  - Security Policy Deployment Audit is due for completion in June.
  - Change Management Audit is complete and a report issued - main issues include resourcing and implementation of CPs and a lack of documented procedures.
  - Implementation Audit; has started and is due to complete in June.

## YEAR 2000 CONFORMANCE

- Y2k testing has completed with no major issues.
- A further meeting on Year 2000 Continuity planning was held with POCL and Horizon in FEL01 with the following key points:
- POCL cannot yet advise trading days for franchised offices over the millennium weekend. Crown offices will be closed Friday 31<sup>st</sup> Dec 1999 through Monday Jan 3<sup>rd</sup> 2000.
- POCL expectation they will be open on 28<sup>th</sup> December has not been ratified by their Board.
- POCL approach is to "health check" the live service early on 1/1/2000 and then determine if they should invoke their contingency plan. Discussions continue and will be partly determined by which outlets plan to open on 1/1/2000 or 2/1/2000.
- Third party issues:
  - There is concern that some vendors are still changing their compliance status; monitoring is needed.

## COST DOWN

- Activities subsumed in changes to the organisation following the contractual changes. FRM will terminate, 2 members of staff will be redeployed. All recruitment has stopped (2). This represents 25% reduction from budget.

## ISSUES

- Slowness of POCL response to contractual changes.
- POCL has not declared working days over the millennium.

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- Delays to Audit acceptance review due to equipment build issues.



# Business Development Report

## Business Development Report

**MONTHLY SUMMARY****BUSINESS DEVELOPMENT**

- Excellent news to have a clear decision at long last and now our priority is to review where we are and decide on future organisation structure and modus operandi with POCL. The first major task is to begin re-building relationships with POCL. The reviews have been on-going for far too long and people will feel bruised on all sides. I am now building a new relationship plan to help achieve this main task.

**NETWORK BANK**

- This is now our major 'new business' opportunity. POCL are committed to Network Bank but have yet to appoint a Managing Director of the unit. We have been undertaking a significant amount of work in specifying a banking product. The intention is that this product will be used to satisfy the requirements of Alliance & Leicester, National Savings and the Network Banks. A comprehensive set of requirements documents is being produced to put us in the driving seat when we engage with POCL. The first set of meetings takes place week of 14<sup>th</sup> June. The approach at that meeting will be to understand their current position and to 'sell' our consultancy resource to help achieve their banking aspirations.

**BILL PAYMENT**

- Given that our remuneration is not now completely transaction based, we will take a less forward role on bill payment. We will continue to work with POCL where required in understanding their business requirements.

**RE-ENGINEERING**

- Product re-engineering now takes on a more important role than previously. Re-engineering is not part of the new contract but it should provide a major source of revenue for us over the term of the contract.

**SPM**

- The CCN for the Simple Payment Module (SPM) has been agreed and will be signed in the next few days. This is the first piece of New Business after last week's agreement. The value of this work is approx. £300K with on-going annual revenue. This sets the trend for the way ahead.
- We have now appointed Claire Roberts to be full time programme manager on sorting out the issues that surround office balancing.

## **CUSTOMER EDUCATION & COMMUNICATIONS**

### **EXTERNAL COMMUNICATIONS**

- A hectic month for exceptional reasons - this month saw the communication of the Treasury Review outcome that coincided with, and therefore dominated, the ICL annual results. Although our progress was iterative, the outcome was generally better than was anticipated.
- We took the opportunity of demonstrating the Pathway system at the ICL results announcement. This covered a broad spectrum of bankers, industry analysts, trade and national press. The demonstrations were received enthusiastically by all and played a significant part in belying any thought that the system was technically flawed.
- Anna has had long conversations with over 30 journalists in the last week. We have been covered significantly in all major broadsheets, trades and the wires. We also received TV coverage. The coverage in the trades will continue for another few weeks or so but we will not stimulate any more interest.
- In analysing the outcome, we accomplished our three main objectives:
  - We avoided our association with any delay
  - We achieved an acceptance of the viability of the "proven" technology
  - We did not taint the integrity of the ICL float
  - We recovered from the unhelpful DTI press release
- Internal communications and supplier communications were also harmonised and well received. My feeling is that there is a degree of relief - people appreciate the clarity and the opportunity to work in an environment which is now more settled.

### **INTERNATIONAL**

- The Namibia contract continues to progress with the first major deliverable due by end June. Phase 2 is scheduled for September. Any further work will be the subject of a new contract.
- CTT in Portugal have still not signed their contract with Siemens and Escher but I believe this is only a matter of time and there is no hope in the short term of counters business.
- Sweden Post have been visited in the past month and are looking at a Riposte based solution as their future base.
- South Africa Post have now stopped roll out of two of their older EPOS systems, Olipost 1 & 2. They have also frozen roll out of ExcelPos. This is to allow them to achieve Y2K conformance and to then review their future counter automation strategy.

- Deutsche Post are visiting ICL Pathway on 7<sup>th</sup>/8<sup>th</sup> June. This is the first meeting post award of contract to Siemens where they want to understand more about the skills and capabilities that we can bring.
- I am still holding to the view that unless we have an exclusive agreement with Escher, we will not bid for future counter automation contracts. These discussions are on-going with Escher and will be progressed later this week.
- The development team have transferred to Terry Austin's development unit under the management of Chris Humphries.

## **PROGRESS**

### **EFTPOS**

- Requirements work on-going with POCL.
- All customer education activities have been closed down. Contracts with McCann-Erickson, PWL and MRM have been formally terminated. Thank you as well as termination letters have been despatched. Excess PC1 stocks will be disposed of.
- BA have been written to to explain the necessary action that is required of them.
- IT recruitment has been put on hold
- The Marcomms team must start a fresh. All aspects of its work must change. Our relationship with POCL will change and hence our role in exhibitions and their internal comms. We need fresh and new collateral. We need a PR approach that is focussed on our outsourced approach to IT. We need to reinvigorate our internal comms.

## **CURRENT CRITICAL PROBLEMS**

- Getting the contractual position is an obvious MUST but I believe that we must make every effort possible to renew discussions at every level with POCL. We are in a new regime. No longer does all resource come as part of the PFI contract. This will take some work to ensure that POCL fully understand this and adapt to this new way of working.
- Staff motivation is a major worry. The announcement of the Treasury review was a relief however we must work hard to ensure that there is now a clear way forward for all staff.





# Implementation Report

## Implementation Report

**MONTHLY SUMMARY**

- Following the completion of the Treasury Review, the Implementation team has identified 2 key areas of change under the revised contract. These are concentrated on removing references in various training products to the benefits payment service and the change to a fixed price contract. The implications of the fixed price contract are that 50% of Pathway's revenue forecast are directly dependent on the achievement of installation programme milestones. Consequently, in parallel with preparation for National Rollout which starts in August '99, the Implementation team is being strengthened to ensure rollout volumes and related revenue forecasts are achieved.
- All Implementation programme milestones were achieved during May. Live trial installations were completed with a 100% rate for installation and migration of Post Office outlets.
- There are two critical issues this month, POCL concerns over the planned maximum installation beat rate and potential quality concerns over 32 site inspections conducted by the customer. Activity is underway to address these two areas of concern and this is described later in the report.

**PROGRESS**

- Recruitment against the agreed Implementation headcount profile has made good progress and we are on track against the headcount plan to commence National Rollout. All senior positions are filled and only 8 from a total of 87 are outstanding. Interviewing for the remaining positions is at an advanced stage. Following the conclusion of the treasury review, and in line with the agreed headcount profile, a review of manning levels for the peak work periods of National Rollout has been completed. From this review approval has been received to take on 14 additional heads in key areas and recruitment for these positions has now begun.

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- The infrastructure rollout programme to ensure outlets are ready for installation continues at a significant pace although this is still below target levels. This underachievement is attributable to the high level of outlet suspensions from the programme. Three specific actions have been taken to minimise the rate of suspensions and to achieve maximum efficiency from the infrastructure rollout. From mid-June, increased modification cost thresholds will reduce the level of suspensions generated by cost restrictions. POCL regional management has been, and will continue to be, lobbied to ensure suspensions arising from late notice refurbishment and relocations are minimised through pro-active retail network management. To ensure cost efficiency in the infrastructure process is maximised, the number of outlets introduced to the infrastructure has been increased and will lead to a greater number of outlets reaching RFI status each week. The combined effect of these measures will be to reduce the rate of suspensions balanced with an increasing rate of suspended outlets re-entering the programme. Gradually it should also start reducing the backlog of suspended outlets.
- During the reporting period, live trial installations were all completed to plan with a 100% success rate with 299 outlets now operating live. The live sites also now include a number of large multiple counter outlets and offices which have, for the first time, proven the ability to migrate from legacy systems (ECCO) to the Horizon system. The installation and migration process has settled into a well-practised and efficient operation meeting service level requirements and receiving praise from the customer.
- Effort within Implementation is now focussed on ensuring the readiness of the project and our suppliers for National Rollout. This includes a series of reviews with the management teams of each of the key suppliers and a review of the capability of tools and processes. This includes activity to baseline the beat rate for National rollout and to respond to concerns raised by POCL regarding weekly balancing of the cash account.
- Several streams of activity are in progress to address the balancing concerns. In addition to maintaining specialist support for balancing each week through Customer Services, Implementation are also liaising with POCL to provide relevant improvements in training.
- Following the withdrawal of the Benefits Agency from the programme, changes are being made to training courses to reflect the removal of Benefit Card functionality from the system. The net effect of training changes to reflect the new contract and the concerns with balancing is to have significant change to most training courses. This includes training for Counter Managers, assistants, migration agents (HFSOs) and specialist courses. Other training amendments are also being made to reflect system enhancements in the LT2 software enhancement.
- Supplier negotiations have made considerable progress in the month with conclusions being achieved with WT and Exel. Negotiation of the HFSO service agreement with POCL is also reaching the final stages. ICL Training Services have indicated a need to reconsider some areas of their cost structure although this is being resisted.

**IMPLEMENTATION WEEKLY STATISTICS**(For week ending 4<sup>th</sup> June 99)

Activity	This Week	Cumulative
RGM letters issued	315	14134
MIB events held	6	285
MIB Attendees	297	13466
Site surveys undertaken	293	11006
Site re-surveys required	119	4211
Site re-surveys undertaken	103	3772
Site modifications done	102	2189
Site preparations done	199	4668
Sites RFI	199	4668
Live NR2 Offices	None Planned	299

**CURRENT CRITICAL PROBLEMS**

- There are two current areas of concern within Implementation although it is considered that these are being managed and a satisfactory outcome is anticipated.
- POCL have highlighted concerns over the increased maximum beat rate for National Rollout, which will be effective in January 2000. Discussions are underway between Pathway and our suppliers to determine a compromise, which can be offered to POCL.
- The second of the two concerns relates to the 32 Horizon site inspections, 16 of which are at Ready for Installation (RFI) stage and 16 of which are live sites installed during the 103 live trial new installations. Early indications are that POCL have concerns over the site completion packs, the quality of information therein and the actual condition of the sites. It is believed the main contributory factor to these concerns relates to work done by our survey and preparations supplier, WTL. Early work by WTL had given Pathway cause for concern previously but reassurances and process changes had been taken with them. The formal review with POCL of the site inspections takes place on 15<sup>th</sup> June 99. Meetings have been scheduled with WTL immediately after this review to propose an action plan of corrective and preventive work. In the review on 15<sup>th</sup> June, Pathway will demonstrate to POCL that these concerns are being addressed. It is considered this will minimise the likelihood of the issue being escalated further.

## ISSUES

- Following a POCL request, a shortened period of 10 weeks was used for cutting the first 2 weeks of the National Rollout programme, with 12 weeks being used for initiation of all future weeks. Consequently the first 4 weeks of the process will all be initiated together with a bulge of outlets entering the programme in one sweep. It is anticipated that all the suppliers involved in these early stages will be able to manage although careful monitoring of progress will be required.
- Suspensions from the infrastructure programme continue to impact the target rate of 300 outlets achieving RFI status each week. The combination of increased modification levels, increased number of outlets entering the process and pressure being exerted by POCL regional teams to reduce suspensions for refurbishment should close the gap.
- With the high number of offices currently in suspension from the infrastructure programme (2,000+), there is a large amount of work required to reschedule these offices into an efficient catch up programme. Additional staff are being provided to address the issue and re-scheduling commenced during May '99. It is anticipated that large quantities of outlets will be released from suspension during August '99, which should approve the ability to re-schedule efficiently.
- Discussion over the National Rollout profile with suppliers has resulted in ICL Training Services identifying additional work. Talks are being held with to determine how essential these areas of additional cost are. Currently ICL Training Services estimate is £4M although it is anticipated by Pathway that this will be reduced through negotiation.
- Software enhancements and bug fixes to the Rollout Database tool suite, although underway, will not be complete until the end of November '99. Priorities in the development directorate will prevent an earlier completion date. Consequently, it will be necessary to make use of manual communication and data transfer mechanisms until such time as the work is complete. The lack of full RODB functionality presents a risk to the National Rollout process although the risk is minimised by the use of manual process which have already been proven and the fact that National Rollout does not hit peak rates until after RODB development is completed.
- Observation of POCL staff performing outlet migration duties for Pathway, has highlighted a number of concerns in performance. Unchecked these concerns could lead to failure of outlet migrations. Consequently POCL are being appraised over Pathway concerns in this area and changes to the related HFSO service agreement for National Rollout are being discussed.
- The HFSO service agreement for National Rollout has yet to be finalised. Agreement of commercial matters remains the area of greatest concern although a negotiating position from Pathway is now possible. It is anticipated the agreement will be concluded in early July '99.

## **COSTS**

- The Implementation team is close to defining a revised cost baseline to reflect the new contract. It is anticipated this will be finalised during June '99. The revised cost profile includes the recent agreement to recruit 14 additional staff, ensuring the Implementation team is adequately staffed for National Rollout.
- Contract re-negotiations with WTL and Exel were concluded during May'99. ICL Training Services are the only supplier with whom contract negotiations are still likely to incur additional costs.





# Organisation & Personnel Report

## Organisation &amp; Personnel Report

**MONTHLY SUMMARY**

- Salary review letters were issued to employees. Recruitment continued to take up much of the department's time. The response rate to the Employee Opinion Survey was good, with 62% of employees returning their questionnaires.

**PROGRESS**

- Appointments in April:

External Recruits	10
Transfers	2
A&TC	5
Linkwise	2
Freelance	8
Temporary	0
Total:	27
- Known joiners:

External Recruits	0
Transfers	0
A&TC	2
Linkwise	0
Freelance	3
Total:	5
- Offers outstanding:

External Recruits	3
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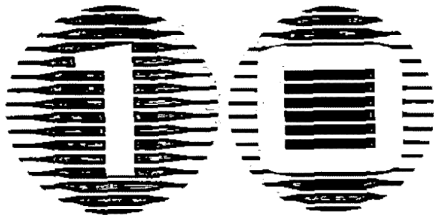
**PROGRESS**

- The number of registered permanent vacancies decreased from 44 at the end of April to 36 at the end of May. 75 appointments have been made since the beginning of the year (not including freelance contracts).
- Salary review letters were issued to employees in line with the salary review timetable. No major issues were identified as a result of this exercise.

- The new bonus arrangements and particularly the level at which each employee was placed within EIP, Professional Variable Pay or the appropriate Professional Community Scheme was reviewed by the Management Team and agreed with some amendments. The next step is to communicate with employees and for managers to set targets. This will be done in line with the overall company timetable.
- 62% of employees responded to the 1999 Employee Opinion Survey. This was a good result, above the company average. The results are being analysed and will be communicated when available.
- Final agreement was reached to transfer some non-ICL Pathway staff based at FEL01 to other locations and work is underway to refurbish and occupy the resulting space.

## **CURRENT CRITICAL PROBLEMS**

- None



# Post Office Client Report

## The Post Office - Client Director's Report

**MONTHLY SUMMARY**

- The Horizon/Pathway announcements foresee a role for ICL and PO in delivering Modern Govt.

**MODERN GOVERNMENT**

- Following the intensive work completed to present Post Office's case for a leading role in delivering Modern Govt, little, if any, was used in the Heads of Agreement, although substantial input made to the press announcements. We now await POCL people to return from leave and re-open discussions under the new Customer Management Business Unit.

**1999 BUSINESS**

- Being the first month of PO's year, April revenues at £1.8m were well down, as expected, on March (£4.9m).

Div	Rev (£k)	Margin (£k)
MC (Desktop supply)	1605	111
CE (Tech Resources)	57	9
OS (ALPS)	119	16
Pathway	29	1

**CURRENT CONTRACTS****TECHNICAL RESOURCES SUPPLY CONTRACT**

- Following the review with ICL Govt, ownership of this contract will transfer into OSD from 1<sup>st</sup> July, where it will be managed by Caroline Simcock, PO Service Manager.

**ONE STOP SHOP**

- The April revenue at £1.6m shows a satisfactory underlying run rate. ICL are now winning 80% of the available business, with ComputerCenter winning just 20%.

**NEW BIDS****SERVICE MANAGEMENT TOOLS**

- ICL, IBM, DMR as shortlisted bidders completed reference visits in May. Our last visit was to STE09. We now await the selection of a preferred supplier, who will be invited to negotiate a contract. We have left the door open with DMR regarding any potential joint bidding/contracting.

**SPICE**

- "Securing the Post Office's Integrated Commercial Environment": a broad ranging invitation covering Customer Contact, Customer Relationship Management and data warehousing. Initial responses were submitted in March, RFI response due in 11<sup>th</sup> June, ITT to selected suppliers 2<sup>nd</sup> August. This requirement has appeared very early for ICL's embryonic CRM capability, we are extremely stretched to locate and commit the necessary resources. Ability to bid must be a key Qualification criterion before proceeding to the next (ITT) stage.

**REMOTE ACCESS**

- Secure remote access to the PO network by 8,000 external users. Shortlisted, ITT response due 14<sup>th</sup> June.

**LAN NETWORKS**

- Supply, service and maintenance of components for 2,000 LANS. Shortlisted, ITT response due 30<sup>th</sup> June.

**COST DOWN**

- No change.