

HORIZON WORKING GROUP - FIFTH MEETING 11 OCTOBER 1999 AT 11.30 AM.**STEERING BRIEF****Agenda Item 1: introductory remarks / approval of agenda /minutes of last meeting**

I suggest you start by paying tribute to the work of your predecessor in getting the Group up and running; stress that you share his view of the valuable role the Group can play in helping to make a success of the Horizon project; and commit yourself to working with the members of the Group to fulfil that potential. You will then need to consider any suggestions for additions to the agenda (though the agenda is already a very full one for the time available - you may therefore wish to suggest that discussion of any new item raised is carried over to the next meeting). There may also be suggestions to amend the notes of the last meeting, though we have received none so far. We will table at the meeting a paper containing relevant extracts from the Parliamentary activity shortly before the summer recess which Derek Hodgson requested at the last meeting.

Agenda Item 2: update by PO on progress with project

After several delays to allow ICL more time to rectify defects in the system, the Post Office formally accepted the system from ICL last month for the start of national roll-out. We understand that acceptance was subject to a number of caveats, but that there is agreement between the two parties that roll-out will still be completed by March 2001 by virtue of some speeding up of the programme in the final months to compensate for this further delay in getting national roll-out under way. At the last meeting, Ian McCartney stressed to the Group the importance of ensuring that there was no slippage to the roll-out programme. The drift to ACT would continue and it was important that the Post Office should be able, as quickly as possible, to offer banking facilities to keep as many as possible of those recipients using post offices to withdraw their benefits. It was also clear that the Benefits Agency would start the migration of all benefit recipients to ACT in 2003, whether the Post Office was by then ready or not. You may wish to stress these points to the Group again.

Agenda Item 3:**a) payment for OBCS / floor payments**

The Post Office is likely to report that it has made no substantive progress on this issue with its Benefits Agency colleagues, who will have insisted that the issue rests with Ministers. You will report on this at Agenda Item 4.

b) bar codes

The Post Office will report on this three-cornered squabble between the Benefits Agency, POCL and ICL. The Benefits Agency has complained that the version of the order book control service (OBCS) fitted to Horizon (unlike the stand-alone version which has been in a number of offices within the M25 for several years now) had an unacceptably high failure rate

in reading bar codes on order books. ICL countered by claiming that the problem lay with the bar codes themselves - a claim hotly denied by BA. A third version of the story attributed blame to the poor quality paper content of the order books on which the bar codes were printed. The latest update we have received gave increasing credibility to this last theory.

c) development of ACT migration strategy

The Post Office will report on its on-going discussions with BA on this. We were previously told that BA had been required to develop a worked-up strategy for agreement with DSS Ministers before the summer recess. We suggest that the Benefits Agency should be asked to attend the next meeting of the Working Group so that we can pursue this with them at first hand, (see Agenda Item 6 below) but in the meantime, the Post Office can let the Group know whether there have been any significant developments.

d) roll-out issues

The Post Office can be asked to spell out for the Group its latest agreement with ICL on the timescale and phasing of the revised roll-out programme. A key role of the Working Group will be to ensure that the CWU, the CMA and the NFSP are all fully signed up to achieving that programme and will cooperate fully to overcome any difficulties or delays that may arise.

Agenda item 4: update by Minister on discussion with colleagues

After several attempts by Ian McCartney to persuade Alistair Darling to increase the amount of money available for the Benefits Agency to pay to POCL for operating OBCS on Horizon, you sought to enlist the help of Lord Falconer to reach some kind of acceptable compromise. However, Lord Falconer was clearly unwilling to re-engage in the Horizon discussions and simply suggested you should approach Alistair Darling again. Given the latter's adamant "can't pay, won't pay" stance, there seems little point in a further approach. Nor is the Chief Secretary likely to be any more sympathetic. None of this will come as any great surprise to members of the Group, and I suggest you should be reasonably frank with them about where matters now stand. You might say to the Group that whilst you will continue to press your colleagues for some improvement in the rate of payment for OBCS, you regard the important goal now as securing the continuation until at least 2003 of the guaranteed minimum payment or "floor" which BA must pay to POCL if volumes drop below a certain level. Securing this floor offers the best insurance against the Benefits Agency ramping up their efforts to move people to ACT in advance of 2003. One possibility is that Alistair Darling would be willing for the Benefits Agency to reinstate the floor until 2003, and perhaps agree to a revised floor for the years 2004 and 2005, in return for dropping the demand for substantial increase in the OBCS payment levels.

Agenda Item 5: update by Minister on PIU study

Subject to final confirmation you can tell the Group that No 10 proposes to announce the study publicly on 19 October, and that we will circulate to members of the Group copies of the press notice and the terms of reference as soon as we have them. In the meantime, you are due to have an initial meeting with the PIU team shortly, and the team thereafter hope to see the

CWU, the NFSP and the CMA for separate initial briefings. They will have already made contact with the Post Office since they are anxious that their experts should gain access to the Post Office computer model of the counters network as quickly as possible.

Agenda item 6: future work programme

a) substance

I suggest that the next meeting of the Group should be mainly devoted to a session with the Benefits Agency (Alistair Darling has already agreed to this) to gain a better understanding first of how the BA see progression to ACT evolving between now and 2003; second how they now envisage the migration between 2003 - 2005 with a view to minimising the damage to POCL; and third BA's latest estimates of the numbers who, in the event, cannot be migrated to bank accounts for one reason and another, and how these are to be handled.

Beyond that, there is probably a case for the Horizon Working Group to put forward an agreed paper to the PIU, though individual members may also wish to input into the study separately. Third, it was agreed at an earlier meeting that the parties should work up a media strategy to project the counters business to the outside world, and to existing and prospective clients in particular, in as positive a light as possible. This needs to be taken forward. Fourth, it was agreed at the last meeting that the Post Office, the CWU, the CMA and the NFSP should meet to work up strategies for the Group on Government Gateway, on links with other companies that could add value to the business, and on retention and improvement of the core business. This work also needs to be taken forward.

b) meetings

Derek Hodgson was anxious that we should use the next meeting to agree a series of future dates for meetings. Your own preference is to agree within the Group on the frequency with which meetings should be held, and then leave it to the secretariat to ring around and find convenient dates. You will want to avoid spending meeting time on coordinating diaries which could be better used discussing substance. As to frequency, once a month might be optimum at this stage, though would probably be difficult to sustain later on.

DTI Posts Directorate

8.10.99