

18/5/98  
930am

Ormerod, Janet

DD104/47

From: Rich, Paul  
To: Rego, Mena  
Cc: Ormerod, Janet  
Subject: FW: CASG NOTES  
Date: Wednesday, April 08, 1998 4:27PM

tosee..i cleared them with scott.  
jant; please b/f next casg  
p

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From: Childes, Scott  
To: Miller, David GD; Sweetman, Stuart; Close, Richard; Rich, Paul; Jerry Cope; Roberts, John  
Cc: Adams, Richard  
Subject: CASG NOTES  
Date: 08 April 1998 14:59

<<File Attachment: CASGMAR8.DOC>>  
I attach the notes from the last CASG meeting.

Thanks, Scott

FUR

CASG

FRIDAY

AM

(TALK HOME

THURSDAY)

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CASG(98)2nd  
CASG98/7 to 11

Copy No

COUNTER AUTOMATION STEERING GROUP

27 MARCH 1998

Present: John Roberts (Chairman)  
Richard Close  
Jerry Cope  
Dave Miller  
Paul Rich  
Stuart Sweetman  
Scott Childes (notes)

**MINUTES OF  
PREVIOUS  
MEETING**

CASG98/7

The Committee APPROVED the minutes of its meeting of 26 January 1998

**PROGRAMME PLAN  
UPDATE & KEY  
ASSOCIATED ISSUES**

CASG98/8

The Committee noted the update by Dave Miller and in particular that

- (i) the PDA would cease to exist on 31 March with control passing to POCL who intended working more closely with Pathway to develop integrated plans with clear interdependencies, particularly with regard to POCL feeder systems and implementation. The clear aim being to develop a stock of prepared offices which would improve the pace of rollout in 1999. Work was currently in hand to develop service management in support of Horizon;
- (ii) a scoping exercise to establish the cost of modifying the network to accommodate Horizon equipment had estimated the cost as being up to £40m of which Pathway had said that they wanted POCL to pay £17m; this was additional to the original business case. A solution to this would have to be sought or the programme halted, although this would have serious morale and PR implications. Negotiations on resolving this were underway and an agreement was expected within the next two weeks. POCL would not spend beyond that originally authorised within the business case;
- (iii) at present the programme plan was working to a live trail in January 1999 with rollout in April 1999. However, POCL believed the balance of probability

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was for the live trial to commence in March 1999 with national rollout commencing 1 July 1999. Benefits Agency supported these latter dates which, to be achieved, would still require close co-ordination between POCL, BA and Pathway with management of the key issue of 'Acceptance' a crucial factor in meeting the timescale. POCL would not seek to delay Pathway's April 1999 rollout date, but before accepting the system would want to be certain that it was working correctly;

- (iv) work on EPOSS was continuing and Pathway had indicated that whilst it could provide a system which met the contract, its lack of robustness could generate high level of errors within POCL. This was being investigated although it was difficult to quantify how the system would work until after it had been installed and was operational

**REVIEW OF HORIZON BUSINESS CASE** CASG98/9

The Committee noted the update by Dave Miller and in particular that

- (i) in January 1998 POCL had reported a positive NPV of £100m which had assumed national rollout in April 1999 at a rate of 300 offices per week. However, since January the increased cost of modifying offices had been identified and additional factors, including a review of NRR as a consequence of additional regional costs, a review of the base case, revised client costs information from Activity Based Costing, and revised additional contributions from POCL clients, other than BA had had to be factored in. Additionally, a number of assumptions were now uncertain, including Pathway charges, contract length and Plan dates. In view of these changes an update paper would be tabled for the Board in April with a fully revised paper tabled for MaPEC in September

noted in discussion that

- (ii) for the Post Office Board meeting in April a high level paper would be produced which would provide a comparison with the original business case and detail the reported changes. It should provide a degree of comfort that the Business case remained robust

**FEEDBACK ON**

CASG98/10

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The Committee noted Paul Rich's oral report and in particular that

- (i) a joint paper by the Treasury and DTI on the optimum way forward was still in preparation for submission to Ministers. DTI had worked closely with POCL on the input of information and had in particular sought briefing on what would happen if the programme was not successful. Briefing on this and the other information provided to DTI would be made available to John Roberts as and when appropriate. DTI were known to be persuaded of POCL's view and would work positively on behalf of the business. From POCL's perspective it was important that Government took ownership of the programme and appreciated the network and commercial consequences of it failing, together with the potential for legal claims by ICL. To this end POCL could provide a coherent argument which detailed the impact in specific offices nationwide;
- (ii) with regard to POCL's legal position work with Legal Services and Slaughter and May continued. The DSS were still keen to issue the 13 week cure notice to ICL following the contractual breach last November, although POCL could see little advantage in taking this course of action. DTI had concerns that their official Accounting Officer could be critical of the use of public money to fund the programme and had sought agreement from POCL for their auditor to have access to business information. However, this was not acceptable to The Post Office, as it was accountable to Government through its own external auditors. This point had been made strongly to DTI;
- (iii) an 'independent' experts report commissioned jointly by BA/POCL, through programme lawyers, on the failure to meet contractual obligations in the past had failed to look at actions prior to the last re-plan in February 1997. Inevitably changes made by the parties prior to this were not covered although POCL were clear that they were not at risk legally and was in a position to explain to DTI and others the facts about this;
- (iv) commercially, work was continuing on preparing POCL's negotiating position with input from work with Howard Hyman proving useful, particularly in

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developing a clearer understanding of ICL and the DSS positions. Short-term contingency planning had also been accelerated by POCL. A possible new approach was also emerging from DSS and BA which could replace the planned payment card product with that of some form of social banking

noted in discussion that

- (iv) rather than move immediately to the development of an alternative product at the expense of current programme delivery it was thought important to conclude the existing work and then have a period of stability and development. This was the line that POCL was taking with DTI. POCL needed to remain clearly focused on the benefits of Horizon and ensure that progress by all parties against key milestones were maintained. However, any future development opportunities could not be overlooked and it was therefore important to remain flexible on longer term initiatives. To help influence the political direction it would be useful for someone to meet with Adrian Montague, who was leading the 'expert' panel review under the Treasury Working Group. He had previously sought an introduction with Richard Close and this therefore presented an ideal opportunity for a meeting to take place. Richard Close would pursue this. It was also important to ensure that the NFSP were also adequately briefed on developments;
- (vi) a meeting with Anne Bowtell would also be useful, and John Roberts would progress this;
- (vii) any enquiries by the National Audit Office (NAO) to have access to The Post Office were to be firmly rejected; the Post Office's external auditors dealt with any audit matters

**DATE OF NEXT  
MEETING**

CASG98/11

The Committee noted that the next meeting was scheduled for 15 May at 9.30am.

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