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FAX TRANSMISSION

From: Alec Wylie

Haiza Working Group

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Date: 21 November 1997

Pages: This + 3

**MESSAGE RESTRICTED - MANAGEMENT & COMMERCIAL.****Mid-point Review Meeting on 20 November 1997**

1. I have set out below the outcomes and action points from the meeting. I hope they tally with your recollection of events!

**Workstreams 1 and 2: Network Coverage and Roll-out Phasing****2. Outcomes were as follows:-**

- (a) above 7,500 post offices, there were no benefits from non-automation;
- (b) the preferred options for dealing with the smallest offices were Pathway Light 'auto' and 'auto' plus' under which the maximum overall payback for all parties was at the 6,000 mark, but the benefit was too marginal (£4.7m with caveats) to be of value in solving the business case problems;
- (c) however, these options were to be worked up to determine the best option as a contingency solution for 3,000 of the smallest offices and as a means of de-risking the roll-out and possibly helping to advance its completion (work to be completed by 28/11/97);
- (d) as the issue of 'social banking' was likely to be raised by Ministers as part of a wider review of social welfare policy and in the context of the Government's review of the Post Office, Group 1 took no further action on it; ICL Pathway confirmed that the technical infrastructure being installed would support social banking.
- (e) there were no benefits to be gained from changing the current benefits roll-out pattern;
- (f) various proposals regarding War Pensions card and roll-out were to be fully costed for consideration by BA;

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- (g) suggestions as to the flexible application of the extended verification security procedures were considered but not pursued;
- (h) a full specification for the proposal to urgently install AP only functionality in 2,000 offices would be available by mid-December 1997, following which a full Programme impact assessment would be undertaken by the PDA;

### Workstream 3: Financial and Funding Profiles

#### 3. Outcomes were as follows:-

- a) under consideration was a suggestion from ICL Pathway that, in order to help the PES problem, CMS charges in the 2nd and 3rd years (£45m) might be waived in return for extending the length of the contract by 5 years and deferring price reductions; there were questions, however, such as the possible breach of the EU procurement rules, to be further researched;
- (b) under consideration was a suggestion from POCL that, mathematically, its bill to BA next year could be reduced by £25m provided it got the money back either through an extension of the contract by 5 years or by DTI/HMT agreeing to reduce its target External Funding Limit (EFL); there were questions of affordability and the amount (possibly around £10m) beyond which the EFL target would need to be reduced which needed clarification; X
- (c) the possibility of ICL Pathway borrowing the £45m (to be able to waive the CMS charges in years 2 and 3) from POCL instead of from other financial institutions needed further consideration but was unlikely to be taken up; A
- (d) POCL was willing to consider the transfer of more risk but more work needed to be done;

### Workstream 4: Re-enforcing the Business Case

#### 4. The Group identified 5 opportunities which, if implemented, would improve the contributions to the respective business cases, viz:-

- (a) the use of ICL Pathway data, possibly in conjunction with other commercial or government data, to target claims fraud; further work was in hand by ICL Pathway on the technical feasibility, by POCL on data sources available to it and by BA to assess the costs and benefits of the proposal;
- (b) the transfer of responsibility for and cost of collecting utility service debts of its customers from DSS to the utility companies through a household budgeting arrangement between them, POCL and the benefit customers; POCL was seeking resource to develop a formal business requirement and an internal business case;
- (c) the replacement of Local Authority Housing Benefit cheques by the Payment Card was worth pursuing in terms of the claims fraud aspect but needed considerable more work in light of the Government's future policy for the benefit and the role of the new DSS Fraud Inspectorate;



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- (d) the development of a system for paying in pension contributions and paying out pensions in place of a State scheme; needed considerable further work to take account of an imminent discussion document, the target date for 'go live' of April 2001 and any associated OJEC timetable, the time needed by POCL and ICL Pathway to develop a shared strategic approach and the fact that other commercial concerns were interested in the initiative;
- (e) the use of the 'Horizon' network to provide information and services under the 'Government Direct' initiative; needed further consideration in light of the new Government's policy (White Paper expected in early 1998), the possible creation of a 'social bank' and other initiatives, the business case for users of the network and the future development of the Benefit Payment Card.

#### Workstream 5: Supply Chain and Management Arrangements for Release 2 and After

##### 5. Outcomes were as follows -

- (a) following a functional analysis, processes and activities had been identified for strengthening and migration from PDA to a new customer/supplier model structure; these would build on those already planned for migration.
- (b) a new 'strawman' organisational structure had been developed for the BA side of the Programme and for the POCL/ICL Pathway (Horizon) side, involving the appointment of a Programme Director with full authority and responsibility for driving the Horizon Programme forward;
- (c) new strengthened management arrangements had been developed to run the Programme which would remove bottlenecks in decision making and minimise the current 4-way interface;
- (d) there were a number of pre-requisites to success -
  - clearly agreed and understood rules of engagement with contractual cover
  - suitable and properly positioned Horizon Programme Director
  - clarity of responsibilities and accountabilities
  - baselined Release 2 content, Programme plan and milestones
  - effective CAPS and Horizon Programme management functionality
  - regular review of Programme milestones and transparency between parties
  - effective change control arrangements
- (e) Further work was needed to address outstanding issues:-
  - achievability of the pre-requisites
  - availability of skilled resource
  - single point accountability for Horizon
  - assessment and definition of Horizon Programme Director tolerances
  - positioning of Horizon service management
  - complete the contractual arrangements review currently in hand
  - clear the BA side of the 'strawman' organisational structure with the CAPS Programme Board

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- determine the budgetary implications of the new organisation
- define the acceptance process for Release 2
- develop a migration plan to have the new structure and arrangements in place by April 1998 if possible or, at the latest, July 1998

- (f) POCL needed to undertake resilience testing on how to make the new structure work and how to fit it into its current strategy for change; it was concerned that there should be no transfer of risk to POCL by default and would take a minimalist approach to any contractual changes, especially on risk and liability; there were service management issues and some around the separation of responsibility and authority for specific activities which needed further work.

#### Workstream 6: Synergy between ICL Pathway and POCL

6. The Group had focussed on the linking of TIP and TMS and on the possible use of data-warehousing (including the use of an ICL Pathway warehouse); a technical review was being undertaken to confirm the feasibility and possible benefits; there were also procurement law issues and the impact on the Post Office Group's IS/IT strategy which included a dependency on TIP.

#### Development of a Coherent Programme of Reconstruction

7. Agreed that Peter Copping should present the outcomes from the Workstreams to the Workshop No 2 as a coherent programme of reconstruction and that he should lead a smaller group to bring together those outcomes (including any further work currently in hand) to produce such a programme, including the finalised Release 2 Plan, the assurance on the Escher dependency and the up to date position on tactical action plans. Progress towards development of this programme, which would include all necessary impact analyses (technical, cost, business case, customer service, staff, clients, etc) and highlight any residual issues to be resolved and any for PSC Workshop/CE decision, would be considered at a further Checkpoint meeting before the Workshop No 2 at Hedsor House.

**Action Point 1** Peter Copping to lead a team of Keith Baines, Tim Brown, Tony Oppenheim and Stuart Riley to carry out the work at para 7 in developing a coherent programme of reconstruction and to report progress and any issues for resolution to a further Checkpoint meeting of core PDA members on Thursday, 4 December 1997 at 12.00 noon in Conference Room 6 in King Edward Building.

**Action Point 2** Peter Crahan and Mike Coombs to input on Release 2 Plan.

**Action Point 3** John Bennett to input as regards the Escher dependency.

**Action Point 4** M/s Bennett, Crahan, McCorkell and Rich to update and circulate their tactical action plans to PDA Board members and to Peter Copping by 30 November 1997.

GRO

Alec Wylie



**In Strictest Confidence**

**Draft Letter to Alec Wylie re Notes of 20 Nov Mtg**

**Dear Alec**

**Notes of mid-point review meeting 20 Nov 97**

**Thanks for sending out your notes so quickly.**

**There is just one point of clarification in para 3(b) which might avoid disappointment later. Whatever level of price reduction to BA in the arithmetic calculation, it would almost certainly need debate with Government on POCL targetry. My comment about the materiality of £10 million for POCL should not have indicated that this might be a threshold for DTI / HMT discussion. Our plans for next year are far too tight for that!**

**I leave it to you whether the clarification might go out now or at the next Checkpoint meeting on 4 Dec.**

**Yours sincerely**

**Paul Rich**