



Post Office Counters Ltd
Horizon Programme Director

Peter Crahan
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30 June 1998

Dear Peter

Following the recent FMR meeting and the follow-up session in Newcastle last week, my colleagues and I have continued to develop the options before us. Whilst recognising that further detailed planning work is still required, we have become increasingly convinced that in principle Option 2, as we named it, presents the best way forward at this time. Our thinking on this is set out in the attached paper. I therefore thought it advisable to give you sight as early as possible of our views and to do this before our meeting tomorrow.

I have also discussed the position at senior levels within Pathway and they are also of the clear view that this Option is their preferred way forward.

We recognise the concerns you have regarding Pathway delivery this year and this is incumbent upon us to mitigate these risks as much as possible. However, as explained in the paper, there are advantages to BA and CAPS as well in this Option, and a coherent position on fallback and contingency.

I would like to make this a key agenda item for tomorrow afternoon's meeting. Clearly we need to understand the option to be addressed if we are to comprehend the commercial and acceptance issues which it involves.

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Peter Crahan
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I would suggest that the agenda for 12.30 on Wednesday should be as follows:

1. Discussion of assessment set out in the attached paper
2. Decision on way ahead
3. Discussion of acceptance and commercial issues around the chosen option
4. Definition of further work required to deal with these issues.

Yours sincerely

GRO

DAVE MILLER

cc. Pat Kelsey
Paul Woolton
Simon Pilot

ASSESSMENT OF REPLAN OPTIONS

Background

At the FMR meeting on 18th June 1998 it was confirmed that the Benefits Agency could not support the previously agreed durations for Model Office and End-to-End testing in the Testing Strategy given the risks they now perceived in the assumptions that were being used in estimating these activities. They proposed a revised approach (Option 1) which would result in the completion of Model Office testing at the end of March 1999 compared to the previous target date of mid-December 1998. The Horizon Programme was not content with the delay this would cause to the Live Trial and Rollout and proposed, in outline, an alternative approach (Option 2). This split Model Office testing into 2 stages :

- a phase from August to December 1998 which would test NR2 against CAPS 3.0 with Child Benefit only, enabling a single benefit Trial from February 1999
- a phase from approximately January/February to May/June which would test NR2 against multi-benefits, followed by rollout.

Whilst recognising that this option had significant contractual/commercial implications it was agreed that Horizon and BA/CAPS staff should explore the 2 options further. This was done at a meeting in Newcastle on 24th June 1998. This paper presents the Horizon assessment following these meetings.

Structure of the Paper

The paper is divided into three sections. Section 1 considers five key areas pertinent to the decision on the two options, namely :

- Different Approaches to Model Office
- A Balanced View of Risk
- Fallback and Contingency
- The Contractual Position
- The Treasury Review

Section 2 reviews the two options in terms of the perceived advantages, disadvantages and risks to BA and to POCL. Section 3 provides further detail of the key planning steps and dates of each option.

Section 1 - Key Decision Factors

1. Different Model Office Approaches

The debate that has recently emerged around the replan is based on the different views and expectations of the parties regarding Model Office management and execution. In summary BA/CAPS believe that on the basis of their experience this testing will take longer than the Horizon Programme estimates (primarily on the judgement of the required ratio of logical to physical days). Horizon's response is that their plans for Model Office cover limited objectives in that they do not expect to address significant functional testing as this will already have been done in the various parallel streams of testing that are being carried out at present (e.g. DIT, BIT, and Systems Test, as well as the support to the CAPS JSA Model Office). Model Office is primarily a procedural test and the low ratio of logical to physical days reflects the objective to test the system in 'real-time'.

There are clearly difficulties in getting both sides to agree on this issue. This is one major reason why Option 2 is proposed because it 'decouples' to a significant extent the first Model Office testing of NR2 and allows it to be managed and executed more independently of CAPS. Also by using an already proven CAPS version, and restricting the scope to Child Benefit, it reduces the overall uncertainty and likely duration of testing. Option 1 on the other hand requires both parties to undertake joint Model Office testing from August to March 1999 with a risk of conflict over scope, processes and objectives.

Pathway have already spent the last 6 months undertaking detailed systems and interface tests, including joint tests with CAPS. They have also provided support to the JSA Model Office in the last 3 weeks without significant incidents so far. If the Model Office phase is primarily a procedural test, (which all parties agree to in principle), then to spend 8 months testing in this area as proposed under Option 1 seems generous in a programme that is already two years late.

2. A Balanced View of Risk

It is clear that BA/CAPS prefer a low risk plan, based on their experience, and one which will provide a stable basis on which to plan the development and deployment with the feeder benefit systems. It is also understandable that, on the basis of previous experience with Release 1c, they have doubts about Pathway's ability to deliver an 'aggressive' Model Office/End-to-End plan by Christmas 1998.

However, the more one raises concerns regarding Pathway's delivery the less attractive Option 1 becomes. Although Option 1 allows more time for testing it nevertheless makes the BA/CAPS plan dependent on Pathway keeping to these anticipated timescales in joint testing over the next eight to nine months. If they do not then the CAPS plan automatically moves back as well.

Under Option 2, however, Pathway have at least five more months to test NR2 before they enter the multi-benefit Model Office with CAPS. Only then is a tight alignment with the CAPS testing schedule required.

Although an implication of Option 2 may be that CAPS do not complete all their benefit Model Offices until 2 months later in 1999, the BA would in fact be in a position to rollout a larger number of cards by the end of the year because of the earlier potential rollout to post offices under this Option.

The critical decision that therefore faces both BA/CAPS and Horizon is do they want to de-risk the impact of Pathway late delivery by either :

- a) providing a longer but fixed period of joint testing (as under Option 1); or
- b) providing a more progressive two phase approach which allows Pathway to prove (or not prove) delivery prior to commitment to a joint fixed schedule (Option 2) ?

The advantage of Option 1 is that it reflects the currently preferred CAPS schedules, but for this reason creates a tight dependency that these will be jointly adhered to from August 1998 to March 1999.

The advantage of Option 2 is that if Pathway do deliver NR2 on time it enables an earlier entry to Live Trial and rollout, protects Horizon and CAPS more in the event of delays by either party, and reduces the complexity of joint Model Office management and execution.

3. Fallback and Contingency

It should be noted that under Option 1 all contingency is built into the planned cycle durations. There is no additional 'spare time' at the end of the cycles to absorb delays. If serious problems occur the whole plan for both CAPS and Horizon will 'move to the right'.

Under Option 2, however, if the first single benefit phase suffers delay there would be a potential fallback of cancelling the planned release authorisation for Live Trial by Christmas and joining up with the planned integrated JSA Model Office in January. Whatever the problems that may have occurred under this scenario NR2 would still be in a better state, having had five months testing, to enter a joint JSA Model Office than under Option 1. The penalty would be on Horizon not being able to start Live Trial as hoped and having to fallback on the Option 1 dates.

Discussions on Option 2 to date propose that the second stage of multi-benefit testing should start in January. Depending on what planning assumptions are used it will last until late April or early June. If the sponsors chose it would be possible to start this stage later in order to provide additional genuine contingency for the December delivery. It may be considered preferable to provide the contingency at this point rather than allow a generous duration for multi-benefit testing, which will involve limited additional functionality and procedures over and above what will already have been covered by this date.

4. Contractual Position

The work on the replan has not yet discussed in detail the ramifications of the two options on the contractual and commercial position. Given the current 'obsolescence' of some of the contractual conditions, it is expected that a serious renegotiation will be required in any event. This also appears to be the position of the Treasury Review. Option 2 will require a more flexible approach by the sponsors because it implies a more staged 'acceptance' process. It does however give more scope to reach a revised contract with Pathway, given the 'delay' they may claim is being imposed on them under Option 1.

5. Treasury Review

The Treasury Review has not yet finally reported and the timetable for Government approval of the recommendations is not yet confirmed. Given that we anticipate that a consequence of a go-forward option could be a serious renegotiation with the service provider, and a revised long-term strategy for benefit payments, it is likely that the process will continue into the autumn. In these circumstances a decision to enter into a closely coupled testing strategy from August may put additional pressure on the parties at a delicate time. Option 2 however would give 'space' for Pathway and Horizon to complete the testing of NR2 against the current CAPS Child Benefit platform while still enabling the earliest practical rollout in 1999.

Section 2 - Perspectives on the Options

The planning dates show a difference in start dates between the two options for both Live Trial and Rollout of approximately three months. Whilst the earlier dates are attractive to POCL, and Pathway, it is not the only criterion on which a decision should be based. The degree of risk and the wider impact of these options on the two parties also need to be considered.

1. BA/CAPS Perspective

Advantages of Option 1

The BA/CAPS view of Option 1 is that it best fits with their experience of their Model Office testing and with their latest planned deployment of benefits in 1999. In particular it would allow them to complete their Model Office testing for all benefits by July 1999, rather than September 1999 as under Option 2. However the difference in dates for the entry of a second benefit into Trial between the two options is only two weeks (mid as compared to end June).

The risks they see in Option 2 may be summed up as follows:

- their lack of confidence that Pathway/Horizon could complete their testing of NR2 and Child Benefit by the proposed date of 18th December 1998
- in particular, the ratio of physical to logical days appears low to CAPS (1.5 to 1 under the current testing schedule for Model Office)
- also they believe that 2 runs of End-to-End testing may prove inadequate and 3 would be preferred

The section above on Different Approaches to Model Office seeks to place these risks in context and suggests that previous CAPS experience is not necessarily a guide as to how Option 2 may proceed. Pathway and Horizon are actively seeking to reduce these risks, for example by reviewing the required number of days in the test cycle.

The disadvantages CAPS see in Option 2 are:

- the two month delay in the completion of their benefits Model Office testing and the consequent impact this may have on the development schedules of the Feeder Benefit Systems
- the possible need to establish more parallel testing environments
- the reduced opportunity for testing with Pathway/Horizon during 1998 when only Child Benefit is included (although it is believed that urgent stops and payments could be included).

While these disadvantages are recognised they must be set against the wider benefits in terms of planning and flexibility which Option 2 would give to both parties as described in the sections above.

2. Horizon Perspective

Advantages to Horizon/POCL

As already noted an advantage for POCL of Option 2 is the earlier start of Live Trial and rollout. It is important to stress that it is not simply a matter of an 'earlier date' but the opportunity to prove as soon as possible, and address where necessary, the overall deployment in areas including:

- training
- installation
- migration
- communication
- staff reaction
- customer reaction

Although this approach may require contractual renegotiation, Option 2 is significantly more attractive to Pathway given not only the earlier revenue but also the ability to reduce the costs of additional delay with their suppliers.

The risks for Horizon in Option 1 are:

- the Model Office testing of NR2 is fully integrated with a CAPS multi-benefit Model Office from day 1 giving reduced flexibility and opportunity to manage issues in the Pathway/Horizon/POCL domain
- the parameters which underpin the CAPS planning durations (while valid in terms of their own experience) may not in fact apply to the new joint environment, whether on the positive or negative side (a risk which is also relevant to CAPS)
- the differences between CAPS bringing a more stable code set to the start of Model Office testing (given they would have already completed CAPS 3.0 and Child Benefit) and Horizon/Pathway bringing the 'first version' of NR2 is likely to put the onus on problem solving on the latter and result in tensions which could be avoided if the NR2 Model Office could be proven first in a more limited environment
- Pathway's expected resistance to the delayed timescales that would be imposed by Option 1 is a significant problem for its agreement that must also be recognised at this stage.

The *disadvantages to Horizon of Option 1* are the converse of the points made above in terms of the delay in entering Live Trial and rollout and the negative implications in terms of the relationship with Pathway. It forces a close alignment of Model Office planning and execution over the next 9 months and makes it virtually impossible to aim for an earlier rollout date than late September.

Section 3 - Overview of the Two Plans

1. Option 1

A copy of the high-level CAPS development plan showing Option 1 is attached at Appendix A. This proposes a joint Model Office and End-to-End test with Child Benefit and JSA with the following key features:

- start date - 10th August 1998
- duration - 33 weeks (including Christmas)
- end date - 22nd March 1999
- migration period - 6 weeks
- *Live Trial start date* - 4th May 1999
- second benefit into Live Trial (JSA) - mid-June 1999 (4 weeks after start of Trial)
- completion of CAPS testing programme for IS and PSCS - 19th July 1999

If it is assumed that BA would agree to a Live Trial of 4 months, followed by a 2 week acceptance period, this would result in a *start of roll-out of Child Benefit and JSA in late September 1999.*

2. Option 2

The high level plan for Option 2 is attached at Appendix B. As noted above this involves 2 phases:

2.1 Single Benefit Deployment - a Model Office and End-to-End test with Child Benefit only (although it is possible that urgent stops and payments could be included in this scenario):

- start date - 10th August 1998
- duration - 19 weeks
- end date - 18th December 1998
- migration period (including Christmas) - 7 weeks
- *Live Trial start date - 8th February 1999*

Again assuming a Live Trial of 4 months followed by a 2 week acceptance, this option would result in a *single benefit rollout (subject to contract renegotiation) starting by the end of June 1999.*

A comparison of the Option 2 Single Benefit Deployment plan with Option 1, showing the more detailed estimating parameters, is attached at Appendix C.

2.2 Multi-Benefit Deployment - a Model Office and End-to-End test with Child Benefit and JSA. Different assumptions could be used for this test resulting in a 'faster' or 'slower' pace of execution. Using this range of assumptions, as documented in Appendix 4, this Model Office/End-to-End test would have the following features:

- start date - 18th January 1999
- duration - 14 to 21 weeks
- end date - 23rd April to 11th June 1999
- second benefit into 'Trial' - 10th May to 28th June 1999 (following a 2 week acceptance of the multi-benefit Model Office)
- completion of CAPS testing programme for IS and PSCS - by 11th September 1999.

As noted above sponsors may choose to plan a later start to this phase in order to provide additional usable contingency at the end of the first phase. If an additional month's contingency was provided, and the multi-benefit test was planned on a mid-point between the faster and slower paces, then the end date would still be around end June.

Under this Option sponsors may also not wish to commence the rollout of single benefit until the multi-benefit Model Office had been completed and accepted, in order to give confidence in this functionality. This view may still support a rollout date at the end of June. However POCL may choose to rollout the infrastructure with a single benefit as soon as possible because of the other advantages this would bring to them.

Under this Option *roll-out of multi-benefit and additional cards would commence end October* given a 4 month Trial period. The roll-out of multi-benefit would therefore start a month later than under Option 1 (when Child Benefit and JSA rollout starts end September). However the rollout of single benefit to Post Offices would have been taking place for 4 months already (July to October), providing a much larger installed base for card roll-out.

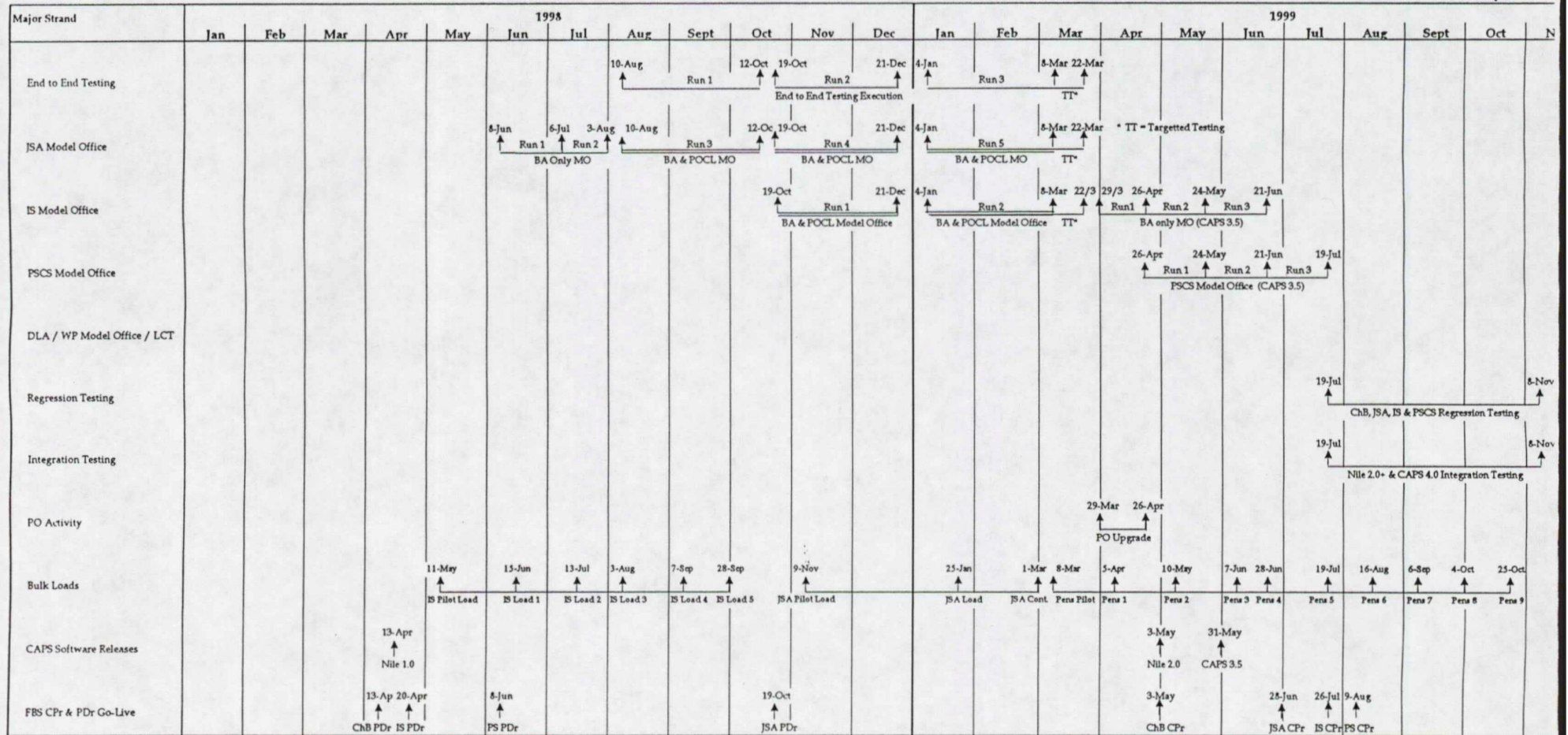
For example, using conservative assumptions on beat rate of 200 offices a week and a weeks 'firebreak' every 2 months, then by Christmas 1999 under Option 1, 2700 offices would have been installed (300 in Live Trial plus say 12 weeks at 200 per week)

- under Option 2, 4500 offices would have been installed (300 in Live Trial plus say 21 weeks at 200 per week).

Therefore although Option 2 is likely to cause some delay in the completion of card payment testing in CAPS, it offers the potential of a wider card rollout during the course of 1999.

Horizon Release Management
29th June 1998

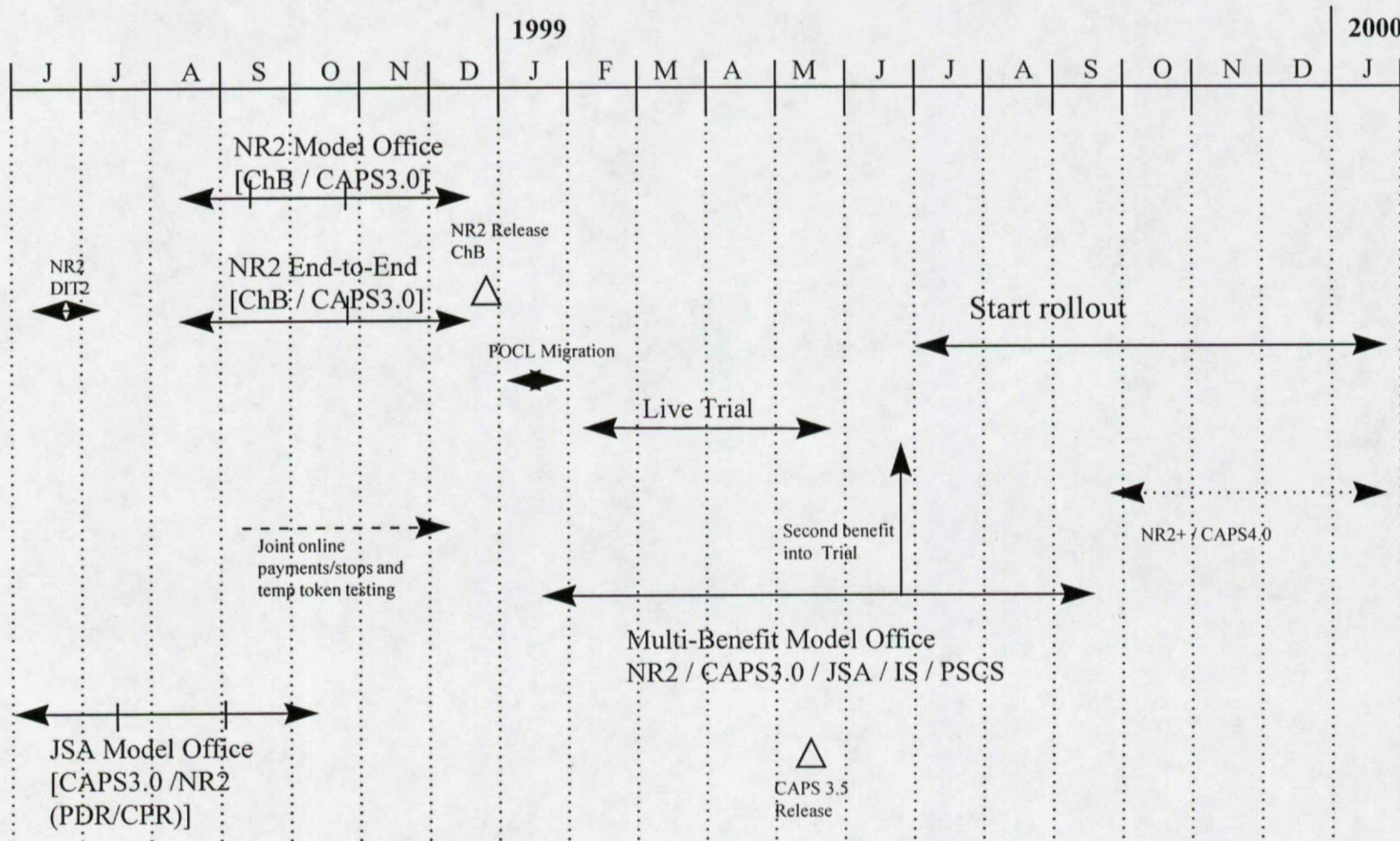
APPENDIX A



Re-plan Option 2

Horizon Programme

Appendix B



APPENDIX C - COMPARISON OF TESTING PROPOSALS

- Option 2 - testing of NR2 plus CHB only
- Option 1 - fully integrated testing of NR2 with CHB, JSA, IS, and PSCS

Activity	option 2	option 1
'Joint' Model Office :		
Start date	10/8/98	10/8/98
No. of cycles	3	3
Cycle length	22 days	24 days
Ratio of physical to logical days	1.5	2.5
Cycle duration	35 days (5 weeks) x 3	63 days (9 weeks) x 3
Reset period between cycles	1 week	1 week
Allowance for Christmas	N/A	2 weeks
Targetted testing/final fixes	2 weeks	2 weeks
Total elapsed time	19 weeks (18/12/98)	33 weeks (22/3/99)
End to End Testing		
Start date	10/8/98	10/8/98
No. of cycles	2	3
Cycle length	33 days	33 days
Ratio of physical to logical days	2.5 (cycle 1) / 1.3 (cycle 2)	2.0
Cycle duration	12 wks (cycle 1) + 6 wks (2)	63 days (9 weeks) x 3
Reset period between cycles	1 week	1 week
Allowance for Christmas	N/A	2 weeks
Targetted testing/final fixes	0 weeks	2 weeks
Total elapsed time	19 weeks (18/12/98)	33 weeks (22/3/99)
Migration starts (5 week period)	4/1/99	29/3/99
Live Trial starts	8/2/99 (ChB)	3/5/99 (ChB)
Live Trial ends (est. 16 weeks)	30/5/99	20/8/99
Second benefit available	28/6/99	14/6/99
Start rollout (4 weeks after Trial)	1/7/99	20/09/99

APPENDIX D - OPTION 2, STAGE 2 MULTI-BENEFIT TESTING

The analysis below takes 2 views of this stage - a 'faster pace' based on more optimistic parameters and a 'slower pace' based on the 'standard' CAPS planning parameters. A faster pace may be possible given the testing that would already have been performed on JSA and NR2 under Option 2.

Activity	'Faster pace'	'Slower pace'
'Joint' Model Office :		
Start date	18/1/99	18/1/99
No. of cycles	3	3
Cycle length	15 days	15 days
Ratio of physical to logical days	1.5	2.5
Cycle duration	24 days (3.5 weeks) x 3	37 days (5.5 weeks) x 3
Reset period between cycles	1 week	1 week
Allowance for Christmas	N/A	N/A
Targetted testing/final fixes	2 weeks	2 weeks
Total elapsed time	14 weeks (23/4/99)	20 weeks (4/6/99)
End to End Testing		
Start date	18/1/99	18/1/99
No. of cycles	2	2
Cycle length	33 days	33 days
Ratio of physical to logical days	1.5 (cycle 1) / 1.3 (cycle 2)	2.0
Cycle duration	7 wks (cycle 1) + 6 wks (2)	63 days (9 weeks) x 2
Reset period between cycles	1 week	1 week
Allowance for Christmas	N/A	N/A
Targetted testing/final fixes	0 weeks	2 weeks
Total elapsed time	14 weeks (23/4/99)	21 weeks (11/6/99)
Acceptance to enter Multi-benefit Trial	2 weeks (7/5/99)	2 weeks (25/6/99)
Multi-Benefit Trial (16 weeks)		
Multi-benefit Trial starts	10/5/99	28/6/99
Multi-benefit Trial 2 ends	27/8/99	15/10/99
Start Multi-benefit roll-out	31/8/99	18/10/99