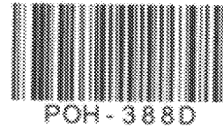


ICL Pathway
Bringing
Technology
to Post Office
Counters &
Benefit Payments

Monthly
Progress
Report

ICL

August 1998



ICL Pathway

Pathway Programme Monthly ReportRef: PA/REP/029
Version: 1.0
Date: 14/09/98

Document Title: Pathway Monthly Report - August 1998**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:

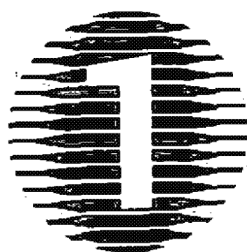
Name	Position	Signature	Date
J. H. Bennett	Managing Director		



ICL Pathway Monthly Report

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Managing Director's Summary

Managing Director's Summary

PROGRAMME PROGRESS

- Work on the Joint Programme Plan continues. We have reviewed the DSS CAPS plans for multi-benefits and the associated live trial and Model Office activities and are pressing the Horizon Programme Office to obtain the contents of future CAPS releases. More work has been done on the trigger points on the POCL processes leading to National Roll-out. These still lead to a July 1999 start date. Gaining agreement to a significant improvement in this will be difficult.
- Model Office Rehearsal 1 (MOR1) finished ahead of schedule on 27 August and was accepted by POCL as successful in meeting its objectives. Preparations for MOR2 are proceeding to schedule for a 14 September start date.
- End-to-End (E2E) testing is proceeding, but is behind schedule, although the work done to date has been of good quality. E2E activity is therefore a risk area in order that testing is complete by year end. Management reviews are in hand as are mitigation plans.
- The major risk to the programme milestones leading to Live Trial commencing in January 1999 is the large number of incidents (PinICL's) to be resolved. Actions have been put in hand to reduce these, but progress to date is not fast enough. This is receiving constant management attention. The contingency plan already anticipated in the Horizon Programme Plans, is to introduce an extra cycle for MOR and E2E, but all efforts are being made to avoid this.
- We continue to put pressure on the sponsors to sign-off the Acceptance Test specifications and have now escalated the issue formally through the Horizon Programme Office.
- The service performance of Release 1c continues to run well.
- Progress on implementation continues and over 800 post office site surveys are now completed.

HM TREASURY REVIEW

- The ICL Pathway report on Horizon and Better Government was well received by HM Treasury who asked us to follow it up with specific achievable projects in the 2000/2001 timeframe. We have submitted a short paper scoping seven projects for consideration. This work has also been shared with POCL and is broadly consistent with their independent input.

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- Further information was requested by HM Treasury on the cost structures within our business case and this has been provided. Treasury have not yet appointed independent accountants to carry out an "open book" inspection of our costs.
- A meeting was held with Geoffrey Robinson, Minister HM Treasury, on 7 September with Keith Todd, Sir Michael Butler and me. The senior Treasury officials were also present. The opportunity was taken to emphasise the importance of the BA/POCL programme to ICL, the need for urgent ministerial action, and the necessity of major commercial restructuring to allow programme funding to continue. Although the tone of the meeting was constructive, no firm commitments were made. They emphasised that any agreement would depend upon acceptable commercial terms to HMG.
- A further ministerial review between HMT, DSS and DTI is scheduled this week.
- Meetings with Peter Mandelson and Ian McCarthy with Keith Todd take place on Friday 11 September.
- In summary, ministerial activity has intensified and there appears to be a serious intent to find a resolution this month. However there is no change, within DSS, at official or political level, to support the Payment Card. A decision to proceed will need to be taken at a higher level, possibly involving No.10, which would have to over-rule the DSS recommendation.

ISSUES

- Resolution of high PinICL stack.
- Completion of E2E and MOR by 18 December 1998.
- Sponsor sign-off of Acceptance Test Specifications.
- Resolution of Workplace Technology's performance and commercial arrangements.
- Production of a Programme Plan for delivery of NR2+.
- Management of continuing hostile press with sponsors.
- Ministerial outcome from HMT Review and the commercial terms.
- The need to raise funding.

Systems Report



Systems Report

MONTHLY SUMMARY

- An excellent model office rehearsal which completed 27th August must be balanced against our inability to reduce the PinICL stack to a manageable level. There is no shortage of effort from the various teams and it is subject to daily management attention but it continues to be an uphill battle. Further action has been taken, task forces created, resources transferred, additional test rigs built, all in an attempt to reduce the number of outstanding software issues to an acceptable level for the start of the model office proper in November.
- The third and final cycle of the CAPS Job Seekers Allowance model office activity was completed 21st August as planned. This was a success from our perspective but we cannot determine the BA view because their results are not visible to us.
- Good progress on the scoping and design activities associated with new release 2+, particularly with completing Benefit Payment System.
- Morale and motivation is good in spite of the continuing critical press reports but a positive decision soon regarding the future of the programme would be a welcome boost for the entire team.
- It is a little early to say whether the recent changes in organisational structure and responsibilities associated with the formation of AT&C are going to have the desired impact although the initial signs are encouraging.

PROGRESS

- The design team is trying hard to keep pace with their deliverables but the regular stream of PinICL's and the specialised nature of the system components results in severe resource bottlenecks. The structure and skills capability of the team is currently being reviewed. However, in addition to responding to daily issues on NR2, progress on NR2+ continues. A formal design plan has been produced and reviewed.
- The development team is totally consumed with the task of clearing PinICL's for NR2. A trickle of software problems continue to be raised on the live 1C system but these are being dealt with without exacerbating the problem.
- Several difficult and potentially damaging problems are being resolved during the month, the TIP Host performance issue has been addressed, an approach to acceptance and performance has been agreed internally and the migration tools and supporting processes have been agreed with the customer.

- The first rehearsal of model office exceeded expectations but the End to End activity which runs in parallel was far more challenging. This is a reflection of the more complex business scenarios being exercised in E2E

CURRENT CRITICAL PROBLEMS

- The level of PinICL's outstanding is not reducing to an acceptable level. Although several hundred have been cleared during the past month, more are being raised in the various parallel test streams. Although we are reasonably confident that our target will be achieved it could result in an unstable system causing model office to fail. All options to avoid this are currently being evaluated.
- The latest results from the performance testing activities have shown that the strategy for using Riposte replication to recover from a failed Correspondence Server or Counter PC is flawed. An alternative approach has been devised for both events but we must implement the changes extremely quickly if we are to have the appropriate hardware and software configurations in place for the model office test.

ISSUES

- The security access control requirement is proving difficult to implement on the NT platforms. A study is underway to determine exactly what can be achieved and to establish whether we can successfully assert that we are compliant.
- We continue to work hard to ensure that the delivery and testing schedules for Pentium 2 and the flat screens fit neatly with the model office and roll-out plans.
- Several approved changes to the communications network are proving difficult to stabilise in the model office environment. Action has been taken to ensure that the problems are resolved for Rehearsal 3 scheduled for October.
- Some of the Cathode Ray Tube (CRT) monitors are showing signs of deterioration and further investigation has uncovered serious manufacturing defects. Discussions are taking place with the supplier in question, in the meantime we continue to persuade POCL to install flat screens in all locations.
- The size and complexity of the Key Management System (KMS) required for new release 2+ has grown enormously. A review is in progress to determine whether this is justified and if so to identify the development and implementation implications.

COSTS

- The budgets for the systems directorate continue to be refined and regularly reviewed but are now being used to monitor expenditure on a monthly basis.

Commercial and Financial Report



Commercial & Financial Report

MONTHLY SUMMARY

- Treasury review related activities remain centre stage at the strategic level. Activities include consideration of "new" services to expand the scope and leverage the investment.
- The Joint Programmes and Commercial Forum (Mike Coombs, David Miller, Keith Baines, myself) has continued to remove commercial blockers, enabling the programme to make progress on a number of fronts.
- All programme letters with a contractual/commercial content or implication are being checked or drafted by Warren Spencer or myself. There are many of them. The Replan is one such topic.
- Operationally, progressing difficult to agree CCNs continues to be a time-consuming and slow process.
- Agreeing an up-to-date contract baseline is now an urgent priority to support Acceptance. The task includes both clearing the current pipeline of CCNs and "conforming" Requirements, Solutions and Schedules to those already agreed.
- Expect reconciling what we actually now have in NR2 to what is demanded by the contract baseline to be a difficult process. The challenge will be to get down to no more than 1 high and 10 medium severity faults.
- Individual supplier situations continue to call for corrective actions to subcontracts. WTL is the latest example, with quality of service and value for money both issues.
- We continue to underspend forecast because of recruitment lag. In August, the underspend was £1m out of £10m. That saves us money in the short term but means we are not consuming the work at the required rate.
- The Finance team will be under intense pressure once the anticipated Treasury led audit gets underway, coming as this does on top of the Oracle Financials migration (Y2K).

PROGRESS

- Treasury Review - getting the key messages across
- Using the Joint Programmes and Commercial Forum to remove blockers
- The 1c service and MOR1
- Working relationships with POCL (Horizon) generally improving despite the pressures (not so BA)
- CCNs and A2As getting better - but a lot still to do

EXTERNAL, WITH POCL AND BA

CNT

- We have put on record that we hold DSS/CAPS responsible for programme delays relating to the 21/2 for 1 day testing requirement and delayed multi-benefit timetable.
- We have repeated our request that certain CCNs be expedited because of programme dependencies on them.
- There is now outline agreement on how to derive a new and up-to-date version of the contract which can be used safely as a basis for Acceptance. However, much work needs to be done, and time is the issue.

JOINT PROGRAMMES AND COMMERCIAL FORUM

- Progress made on: NR2 4000 limit (applies to multi-benefit roll out only), flat screens (CCN signed off), Casual agents (POCL have withdrawn their objections to CCN117), FAD codes (we got what we wanted), Reconciliation (rules now agreed), and In-office migration (rules of engagement agreed).
- There are important aspects of the proposed Replan which are unacceptable from the contractual/commercial standpoint. Specifically, DSS are attempting to defer large amounts of Acceptance (multi-benefits and related) out of NR2 into an additional Live Trial which will run for at least six months after we have started Rollout. This greatly increases the Acceptance risk and cash exposure.

FINANCE AND COMMERCIAL FORUMS

- Charging Metrics rules, which define the way transactions are counted for Scorecard purposes, are crystallising as a potentially serious issue. Its resolution may affect not only revenues (plus or minus £4m p.a.) but also EPOS and MIS code and schemas. It is likely that some changes will still need to be implemented for NR2.
- Progress made on clearing a number of CCNs.

CONTRACT BASELINING AND ACCEPTANCE

- A way forward has been agreed in principle. This includes selective changes to Requirements where not to do so would put them in conflict with the (refined) Solutions, specifically those flowing from CCN117.
- It is now agreed that CCN117 should be signed off "as is" with an addendum to bring it up to date.
- There is still a large number of CCNs "to go" with respect to Agreements to Agree. Each of these represents a measure of risk.

- The greater risk is that there will be failures to agree the current CCN pipeline and the interpretations of those which have been signed (as was the case with CCN117 and CCN105).
- These risks will impact on Acceptance.

EXTERNAL, WITH SUPPLIERS

- WTL has raised its head again, with unsatisfactory performance of service and issues over charges. It is now clear that we need to agree a substantially new contract.
- The 'failure to agree' with Oracle over man rates has been resolved.
- Internal charging within ICL is settled.
- The cost to date of putting back the programme in terms of subcontractor settlements now runs into many £m's. We have budgeted for more to come over the next 18 months.

INTERNAL TO ICL PATHWAY

- Progress on A2A CCNs has accelerated.
- The rate of internal CPs has not abated, although that of Change Requests from the customers has.
- The Forecast has stabilised at a current spend rate (excluding capital spend, ie. equipment, counter preparation and training) of circa £10m per month, going up to nearer £12m per month by the end of the year and holding at that level throughout 1999. However, as noted above, recruitment lag is resulting in underspends and work shortfalls against target.
- The new intercompany charge rates are factored into the Forecast.

CURRENT CRITICAL PROBLEMS

- The quest for a commercial settlement overall (Treasury)
- The quest for a commercial basis for the Replan
- Locking down NR2 into a quality compliant product
- Baselining NR2 for Acceptance

ISSUES

- Outcomes of HMT review - programme impact and commercial terms - the time it will take to finalise the details once the principles have been agreed - uncertainty in the meantime.

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- The Replan, keeping NR2 on track, advancing NR2+ and any prior maintenance release, dealing with Sponsor caveats, A2As, CCNs, etc., dealing with BA's lack of enthusiasm
- The risk register continues to show significant risks not factored into the business case.
- The need to raise more funding this year.

COSTS

- The Controller's report follows.

AUGUST ACTUALS 1998**KEY NUMBERS (£000'S)**

		Month of August 1998		Year to Date / End August 1998		
		Actual	Variance vs. F'cast	Actual	August F'cast	"Budget"
Trading/Project Costs	Revenue	74	(3)	461	(3)	221
	Project Costs before Capitalisations	9,004	1,117	65,039	1,117	(9,709)
	Declared PBT Losses	107	14	1,270	14	(650)
Cash/Balance Sheet	Business Operating Cash Flow	(7,213)	10	(72,969)	10	(11,153)
	Project WIP			156,525	1,103	(8,502)
	Net Fixed Assets			38,157	(284)	(1,604)
	Total Borrowings			162,924	10	(6,295)
		End of August 1998		End of August 1998		
		Actual	Variance vs. August F'cast	Actual	August F'cast	"Budget"
Headcount:	Permanent	163	33	163	33	(26)
	Non-Permanent (ITs and Temporaries)	13	-	13	-	(11)
	(Memo): Freelancers procured through ICL IT Contractor Services	163	21	163	21	(50)

Comments:

Project expenditure was well below forecast, due to a combination of lower than forecast subcontract invoicing and recruitment lag.

There were higher than forecast fixed asset additions, with continuing shipments of components for the counter infrastructure being sourced well ahead of real requirements. However, net working capital variances due to this and the lower project costs resulted in borrowings levels which were in line with forecast.

IMPORTANT REMINDER: ICL Pathway Ltd's 1997 Statutory Accounts are still not filed. Regardless of the timing of any pronouncements from the HM Treasury review, PriceWaterhouseCoopers need to be brought up to speed as quickly as possible, so that the appropriate actions can be finalised within what will probably be a very tight window during October.

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AUGUST ACTUALS 1998

PROJECT COST ANALYSIS (£000'S)

	Month of August 1998		Year to Date 1998		
	Actual	Variance vs. F'cast	Actual	August F'cast	"Budget"
Revenue	74	(3)	461	(3)	221
Direct Cost of Sales	1,716	9	12,518	9	(2,006)
Gross Margin (Deficit)	(1,642)	6	(12,057)	(5)	(1,785)
Opex:-					
Labour - Own Staff	851	85	5,292	85	(904)
Travel & Subsistence	52	11	350	11	56
Freelancers	1,819	180	11,844	180	(2,487)
ICL Subcontracts	1,204	282	9,716	282	(1,074)
Other Subcontracts	650	501	5,949	501	(413)
Depreciation	1,151	(11)	8,521	(11)	(2,178)
Marketing	35	66	416	66	370
Professional	132	5	1,132	5	(476)
Other opex	341	(19)	2,793	(19)	(519)
Gross Project Opex	6,235	1,100	46,013	21	(7,625)
Interest costs/(income)	1,127	11	6,969	11	(298)
Costs before Capitalisations	9,004	1,117	65,039	30	(9,709)
Declared PBT Losses	107	14	1,270	14	(650)
Capitalised into WIP during year	8,897	1,103	63,769	1,103	(9,059)

Comments:

Project costs were lower than forecast due principally to subcontract costs. External subcontracts included low invoicing levels from Oracle Corporation, particularly relating to the slower than forecast start-up of knowledge transfer activities from them to ICL Outsourcing, who will be responsible for longer-term support.

ICL subcontract costs were also lower than forecast due in part to the holiday season, but mainly due to the fuller than forecast benefits to ICL Pathway of the new lower inter-business trading rates from most supply sources, particularly the Solution Centre.

All other items, including declared losses on non-UK project activities, were close to forecast.

AUGUST ACTUALS 1998**HEADCOUNT****Permanent Headcount**

Systems
Implementation
Customer Service
All other departments
Totals - Permanent Staff

End August 1998		
Actual	Variances vs.	
	Aug F'cast	"Budget"
28	10	(14)
40	7	(10)
47	11	(8)
48	5	6
163	33	(26)

Although there was a net increase of 10 permanent staff in the month, this fell far short of the aggressive forecast.

Non-Permanent Headcount**Industrial Trainees and Temporary Staff**

Freelancers sourced through
ICL IT Contractor Services
Systems
Implementation
Customer Service
All other departments

Totals - Higher Skills Freelancers
Totals - Non-Permanent Staff

End August 1998		
Actual	Variances vs.	
	Aug F'cast	"Budget"
13	-	(11)
123	15	(39)
3	2	1
6	3	2
31	1	(14)
163	21	(50)
176	21	(61)

Freelancer levels actually went down in the month, with 6 leavers and 3 joiners.

Activity in the Systems area, where most of the contractors are engaged, remains extremely high, with the start of rehearsals for the Model Office. This marks the first stage in the formal acceptance process.

Grand Totals

339	54	(87)
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AUGUST ACTUALS 1998

CASH FLOW (£000'S)

Inflows/(Outflows)

Net Project Costs - capitalised into WIP
 Project costs taken straight to P & L
 Depreciation
 Movement in other Working Capital Items
 Fixed Asset Additions
 Business Operating Cash Outflow

Opening Net Borrowings
 Closing Net Borrowings

Month of August 1998	
Actual	Variance vs. Forecast
(8,897)	1,103
(107)	14
1,151	11
2,246	(823)
(1,606)	(295)
(7,213)	10
155,711	0
162,924	10

Year to Date		
Actual	Variances vs.	
	August Forecast	"Budget"
(63,769)	1,103	(9,059)
(1,270)	14	(650)
8,521	11	2,178
(6,065)	(823)	638
(10,386)	(295)	(4,260)
(72,969)	10	(11,153)
89,955	0	4,857
162,924	10	(6,296)

BALANCE SHEETS (£000'S)

Net Fixed Assets
 Project Work in Progress
 Other Working Capital

Totals

Share Capital
 Retained Earnings

Group Pooled Borrowings
 External Loans

Total Borrowings

Totals

August 1998 - Pathway Total		
August Actual	August Forecast	ICL "Budget"
38,157	37,873	36,553
156,525	157,628	148,023
(13,616)	(14,439)	(8,970)
181,066	181,062	175,606
20,000	20,000	20,000
(1,858)	(1,872)	(1,023)
4,235	(5,750)	75,298
158,689	168,684	81,331
162,924	162,934	156,629
181,066	181,062	175,606

Fixed asset additions ran ahead of forecast in the month, with the receipt of a batch of bar code readers just the 'wrong' side of the month end.

The lower project costs for August resulted in an adverse working capital variance, with the net result that borrowings at month end were virtually in line with forecast.



Customer Requirements Report



Customer Requirements Report

MONTHLY SUMMARY

- Of the 23 Acceptance Specifications six are now “recommended”, ten are “for approval” and the remainder progressed to various earlier states.
- Acceptance has become a game of hardball. We are engaged in a war of comment-response attrition with the DSS and have refused to reopen HLTPs for such late comments. Horizon is trying various arguments to expand the Acceptance Criteria base, which we have also refused to do.
- We are maintaining constant pressure on DSS/POCL through status reports and action lists.

DETAILED PLAN ACTIVITIES**NEW RELEASE 2**

- CAPS and Horizon have accepted our long-standing proposal to recognise the role of Temporary Agent. We are handling several requests for information on Temporary Token operations.
- Tony H has codified all the BPS Reference Data for NR2 and is seeking to get the document baselined. Mysteriously, there are some items of data, such as profiles of TT usage for each benefit office, and Benefit Types which qualify as Social Fund, or Means Tested, that we have to have, but which DSS will only pass to us manually.
- Despite the contractual posturing, at the working level, the joint CAPS/PDA/Pathway reviews continue to work well and are proving a good basis for clearing up issues.
- John P has kept on top of the EPOSS PinICLs coming into Requirements and the PIAT function as part of the push to clear down the PinICL stacks in time for the MOR3 build. Dave J has progressed the Security PinICLs but there still over 200 open, and they are being raised at high rate.

RELEASE NEW 2+

- The R2+ RCD (and contents) has been progressed.
- The DIDVR (CAPS interface) for R2+ has been received.

CARS

- The CARs were brought up to date, although there was little traffic. We have agreed a proposal for CAR activities within the customer organisations to be decentralised.

A2AS

- The remaining A2As assigned to Requirements are those that Pathway does not wish to expedite.

CCNS / CRS / CPS

- The customers' legal representation continues to evade ways of acknowledging the large-scale changes wrought by CCN 117 and others. At one point there appeared to be agreement that they would bring forward new texts for the backlog of approved CCNs, but later they reneged.
- Our current position is that we will require the opportunity to modify solutions affected by the definition of card/Temporary Token and to base Acceptance in these cases on the Solution rather than Requirement. CCN 117 is now expected to be recast as a second version (117b) to include the details on Temporary Agents and details of other Solutions affected by the card/Temporary Token definition.
- We await response to proposals on CRB005 (single signature): the likely outcome is a redesign of the AtP (mandate receipt) to permit overprinting of the declaration area.
- A response to CR0081, contingency payments generation on CAPS failure, seeking to fix the nature of the declaration and conditions under which it is used. The problem area is likely to be when a local DSS office is also running in fallback.
- CP 1140, MIS for Temporary Agents, was resolved.

ACCEPTANCE

- Individuals in DSS have clearly been told to put in lots of late extra comments to slow us down on Acceptance. There were 187 for BES, 56 for PAS, 133 for CMS and 55 for Audit. Legally we have to address them, but we have taken the line, apparently successfully, that we will not now break open any HLTPs for them and they will have to be dealt with by way of existing tests or later Review.
- The current overall body count is that of the 23 Acceptance Specifications:
 - six are "recommended"
 - ten are for approval (of which four have suffered bouts of late comments)
 - two (EPOSS and TIP) await any comments
 - one (Reference Data) has just received its first comments
 - three are closing towards approval levels, and
 - one (Reconciliation) requires a second rework.

- John C has been getting the performance Acceptance testing commitments underwritten. The 20-counter testing and boundary performance testing need to be expressly covered in the rework of test plans being undertaken.
- Dave J and John C have persuaded the customer Security Review Panel to reduce its size from 20 to eight. There are just two security issues, also expressed as Acceptance Specification caveats: the provision of HLTPs from Pathway suppliers, and a statement that incidents from penetration testing, which we have successfully kept out of Acceptance as such, will be registered as incidents during Live Trial.
- We have performed an extensive review of the Horizon scoping study with a view to preventing it being used as the source of additional or changed Acceptance Criteria.
- We now have forecast dates for the audit passes of Systems Tests and BIT. There are issues caused by the compression of dates up to MOT.
- The BIT script will cover over 75% of the required Trials material, which is rather better than we expected.

NEW BUSINESS SUPPORT

- We have supported Business Development and POCL and their consultants, Pontis, on banking infrastructure.
- LFS: All Schedules and other contractual changes now agreed. The CCN is held up by one commercial. Although design is ready to start in earnest, LFS remains a tradable NR2+ item.
- The APS Token Verification Service was discussed and agreed with CS and associated CP approved. This has now gone to POCL as a CCN.
- EFTPOS: The workshops continue.

OTHER TEAM ACTIVITIES

- At short-notice, a couple of days assistance was provided to International in support of the Hungarian post office, essentially to present the ICL proposal and support the demonstration activity.

CURRENT CRITICAL PROBLEMS

- None.

ISSUES

- Local access to a functioning test system would much improve the task of dealing with Acceptance comments and queries. The Desktop on the counter PC used to support PPD development should be updated.

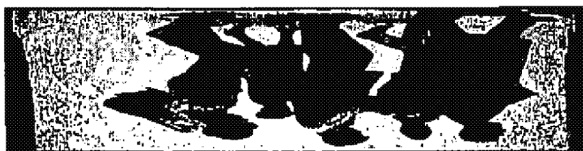
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Customer Requirements Report**

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- We need all the NR2 HLTPs baselined and closed by the end of September so and the BIT03 HLTP fixed.
 - The System Test for parts of BPS will be based on main cycle pass 4 and will therefore lack a proper rehearsal; it will also model only nine HLTPs deferring multi-benefit aspects. We will become reliant on BIT to maximise the material Accepted.
 - The rate of PinICLs into PIAT to judge referral is too low. We will not be able to handle a last minute rush of items for deferral and should see items as soon as they are known
 - The fix rate of security PinICLs needs to improve: of the 48 Secure NT PinICLs shown as cleared in 8F Inc-6, only 10 were found to be fixed.
 - The time is getting short to get third party supplier HLTPs in place for Security Acceptance.
-

Customer Service Report



**ICL Pathway Pathway Programme Monthly Report
Customer Service Report**Ref: PA/REP/029
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Date: 14/09/98

Customer Service Report

MONTHLY SUMMARY

- Service performance in August was generally very good but there were some signs of stress in high activity help-desk areas as the holiday season progressed.
- Our performance in transaction reconciliation was outstanding. The BSU reports the lowest level ever of incomplete transactions at 0.02 %. More than 60% of these were due to operator error at the Post Office.

RELEASE 1C VITAL STATISTICS

- Installed base: 204 Post Offices, 334 counters
- Number of Cards issued 42,011
- Number of Active Cards in use 31,559
- Total number of BES Counter Transactions 505,603
- BES Counter Transactions in August 75,340
- Total value of Benefit Payments received £15.9m
- Value of Benefit Payments received in August £2.1m
- Total value of Benefit Encashments made £12.9m
- Value of Benefit Encashments in August £2.3m
- Total number of OBCS Transactions 5.1m
- Number of books impounded 15,232
- Potential fraud avoided > £2.1m

PROGRESS**OPERATIONS**

- The remedial action taken by Sequent and ICL Outsourcing last month to improve the SE70 performance seems to have been successful.
- The Energis network performance was much improved with no further incidents reported.
- There are still 35 fixes to be applied to Release 1C and I am concerned that these are not neglected in the shadow of activities to support Model Office.

**ICL Pathway Pathway Programme Monthly Report
Customer Service Report**Ref: PA/REP/029
Version: 1.0
Date: 14/09/98

- ICL Outsourcing continued development of their operational procedures at Weybridge and Bracknell and they also made good use of the 1-week slot between MOR1 and MOR2 at Bootle. Backup and recovery testing of all host databases was completed. Further rehearsals are planned at the end of MOT.
- Progress is being made in the business continuity area. The final deliverables to satisfy Requirement 830 and the business continuity framework overview are being developed by Andrew Brightwell and should be available for discussion by 16 September. We have had no success in recruiting a business continuity manager.

BA & POCL SERVICES

- The contract with De La Rue for the supply of Temporary Tokens has been signed. Temporary Token packaging has passed the RML test mailings and De La Rue have been authorised to proceed to acquire stock.
- Updated Volumetric information has been provided to Girobank and to De La Rue.
- The Horizon Systems Helpdesk performance deteriorated over the past two months and is being monitored very closely. A number of corrective actions are planned. This is part of a broader scrutiny of HSH and SMC operation being undertaken in readiness for full NR2 service.

CUSTOMER SATISFACTION

- Feedback from Service Visits continues to be good but I am concerned at the number of negative responses about 'disruption' to the postmaster's business. As the size of the counter message store has grown over time, there has been a corresponding increase in the time taken to restore a counter after a hardware failure. This is being investigated by Systems Development.

SYSTEM SUPPORT

- The SSC is now heavily involved in Model Office support.
- Mik Peach has made excellent progress with Oracle in securing a R1c support contract extension at a fair price.
- Work is progressing on identifying Known Errors for NR2 in an attempt to avoid unnecessary investigation of 'duplicate' PinICLs.
- Only 30% of NR2 PinICLs have been cleared by the SSC. This will improve once the source code and documentation has been made available.

BUSINESS SUPPORT

- The BSU has again beaten its SLA performance measures and was able to reconcile all transactions within time-scales.
- The performance for Incomplete Transactions achieved its lowest level ever at 0.02%. Only 18 of the 75,340 transactions in August were incomplete and at least 11 of these were due to operator error at the post office. A counter fix has been identified which should reduce these volumes yet further.
- The APS reconciliation report has been finalised and signed off with POCL and agreement reached over the transaction fallback and recovery procedures.
- The first reconciliation panel was held and good progress made. Many of the benefit payment processes are generic and will be able to be applied to APS and EPOSS

CURRENT CRITICAL PROBLEMS

- None

ISSUES

- I am concerned that the plans of ICL System Service for the development of their new strategic help desk platform are not well understood. The Powerhelp system currently deployed is to be withdrawn and replaced by a bespoke system. A Supplier CP is awaited.

Quality and Risk Report



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Quality & Risk Report

MONTHLY SUMMARY

- FRM progress. FRM Analysis Report 1 has been issued. This has required education and improvement of the Girobank contribution. One potential fraud incident has been investigated and found to be counter clerk error. Card detail checking and User Id issues have been resolved.
- Risk Management. The first update of the NRO Risk Register has shown little change. Issues regarding commitment to reporting need to be addressed.
- System Security. Delivery of NT access controls is now critical and may raise R2 authorisation issues. Progress continues to be made with development of procedures, preparation for Release 2 and definition of penetration testing.
- Quality. Audit of supplier processes continues with WT.
- Audit. The delivery of the solution remains a high risk; both in terms of testing and providing assurance for NR2 authorisation.
- Year 2000 Conformance. Review of service supplier compliance plans has begun. The Microsoft position still gives cause for concern.
- Considerable support has been given for the PinICL clearance exercise.

PROGRESS**FRAUD RISK MANAGEMENT****RELEASE 1C**

- FRM Analysis Report 1 was completed and issued. The Girobank contribution was not up to expectation. A presentation was delivered to Girobank FRM outlining the current analysis strategy and two days were spent helping them develop an analysis database.
- The FRM Lost and Stolen Cards report was found to contain details of the number of impoundment processes, not the number of cards impounded. A PinICL was raised and a fix implemented.
- One potential fraud incident was investigated and found to be misuse by the operator at the counter and was resolved without fraud or reconciliation issues.

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NEW RELEASE 2

- The FRM Lost and Stolen Cards report content has been agreed. The report was originally produced via CMS; for NR2 it will transfer to Business Objects, requiring agreement to remove cardholder name and address data, as this is not available in the warehouse.
- User testing of FCMS. T&I have experienced difficulty with the build of FCMS, delaying full end user input into testing.
- Good progress has been made with correcting content and format of NR2 reports.
- All card detail checking at the counter issues have been resolved for NR2 and a CP raised for NR2+.
- A revised CP for User_ID has been issued and approved with a CCN raised on the Counter PPDs. A six digit ID with a three alpha and three numeric format is defined. This solution avoids the need for changes to the warehouse, FCMS and the CAPS interface.
- The definition of the scenarios for inclusion in counter penetration testing has begun.

NEW RELEASE 2+**RISK MANAGEMENT**

- NRO Risk Register:
 - Major risks that have been identified include sub-postmaster compliance (availability, training), turnover training, agreement of expensive and no solution offices, installation time, failure of office balance, failure of migration verification, HFSO training and guides.
 - Reporting process. POCL and Pathway have agreed to include the mitigation actions in the level 3 plans; this has still to be implemented.
 - Individual risk owners are not fully committed to the process. There is also confusion about the 300 Club role. These issues are being addressed with Implementation management.
 - Joint working with Implementation has started to develop the risk scenario model.
- Analysis of dual encashment issues including LAN disconnects has begun and extends to OBCS transactions in some instances.

SYSTEM SECURITY

GENERAL

- A Security Policy for Testing was written describing the physical, logical and operational controls in place in the various Pathway testing environments.
- A process was completed describing how evidence to support fraud prosecutions should be produced, protected and PACE certified.
- Regular meetings have taken place with Horizon FSG and Customer Requirements to progress issues such as known problems, penetration testing, acceptance, third party security testing and policy-related PinICL's.
- An agreement has been reached with CESG to produce RAMBUTAN keys at six month intervals, without request from Pathway. 'Hot spares' can be also be created at very short notice, rather than with a six week lead time.

RELEASE 1C

- A process has been agreed to better control the return and destruction of Horizon Security Passes allocated to employees of third parties who leave.
- The inappropriate use of live R1c cryptographic keys in MOR has been investigated. No compromise of keys occurred, but procedures for the control of keys in support services will be strengthened.

NEW RELEASE 2

- The scope of the proposed technical penetration testing has been agreed with Admiral Management Services Limited (AMSL) and the Horizon FSG. AMSL have responded with a proposal for conducting the work.
- Good progress towards obtaining a license to enable the export of 'Red Pike' to the De La Rue contingency site in Sittard, Holland.
- Builds have been agreed for SecurID, FRM, MIS, and SLAM NT clients.
- A requirements definition for group access controls within the secure NT build has been written.
- Early drafts of the processes and procedures required to support Acceptance are now in PCMS.
- A CP has been raised to introduce a new 'MIGRATION' role on the counter workstations.
- A CP has been approved to introduce a list of excluded passwords on counter workstations.

NEW RELEASE 2+**QUALITY**

- The audit of WT plc processes has been completed. In general processes and controls on their sub-contractors appear well defined. A number of processes are still under development and a number of minor process improvement opportunities were identified for attention by Pathway as well as by WT plc. The most significant issue identified was a failure to control the return of POCL Security Passes from sub-contractors no longer involved in the project. This is being addressed.
- The Microtouch report of accelerated monitor test has shown that the failure rate for Essex monitors is acceptable (6% pa), but the ETC version remains unreliable (18% pa). Microtouch have been asked to propose a way forward.
- Support to Acceptance Test planning / preparation continues.

PROCESS MANAGEMENT**AUDIT**

- Audit testing is a concern, particularly with the ability to provide sufficient assurance for R2 authorisation.
- Audit Design is also a concern, particularly the extraction facilities; resource has been identified but seems to have been diverted.
- A start has been made in identifying the requirements for auditing of the financial and commercial aspects of Pathway's business.

YEAR 2000 CONFORMANCE

- Progress on the 3rd party front has been maintained. The Microsoft position still gives cause for concern.
- Progress has been made with assessing our Service Providers compliance plans; the first meeting was held with Energis and meetings are now scheduled with Royal Mail and De La Rue Card Technology.
- Further work has been undertaken on Y2K Business Continuity.
- Initial meeting with ICL Properties and Site Services held to discuss compliance of FEL01 site; the current plan is for completion by end 1998.
- ICL Outsourcing has been pushed by ICL Corporate into putting some significant commitment into Year 2000 compliance and managerial weight behind it. John Connelly has been appointed Year 2000 Programme Director covering, and Pathway's perspective has been presented.

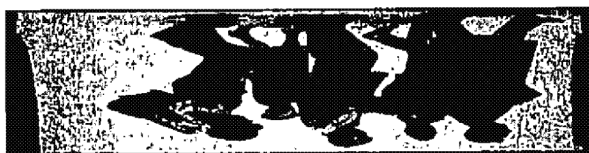
CURRENT CRITICAL PROBLEMS

- None

ISSUES

- Delivery of NT access controls remains an issue.
- Audit delivery, particularly testing and assurance for R2 authorisation.
- The current approach of running business critical systems on platforms not recognised within the TED/TEI and additionally not subject to proper verification and configuration control is an exposure for Pathway.

Business Development Report



Business Development Report

MONTHLY SUMMARY

- Press interest has been low during August, there have been one or two trade articles and an article in the Daily Express. Computer Weekly has continued to jibe and Computing is "sniffing" for the outcome of the review. Interest will increase during September.
- Planning for the approach to communication post the Treasury Review announcement of results has progressed as far as it can. Further consideration awaits the outcome.
- We have produced papers on communication activities post Treasury review whatever the outcome. These have not been shared with the sponsors until the outcome of the review is known.
- Government Communication: review meetings held with John Cheetham to progress the target matrix of MPs. Alan Keen the constituency MP for Feltham is to be invited to see the system. Peter Atkinson MP for Hexham saw the 1C system in a post office in his constituency.
- Continued progress albeit slow on getting the Logistics Feeder Service fully signed off. This will be the first new, i.e. non-current contract, service. I am also drawing up a history of the LFS saga on the basis that if every new service takes this long to sign off, then progress will be painfully slow.
- We have at last engaged on the banking front. There is now a joint steering group between POCL and Pathway. There is a plan that by end September we will have assessed the technical suitability of the Horizon architecture and will have a plan of work agreed to take the banking proposition to market. It has been difficult to get this far with POCL's natural reluctance to engage. I am now using the banking example as the precedent for engaging on other possible market moves, i.e. better government, Smartcards and Mails.
- It is important that we are now in a position to demonstrate some of the ideas we are putting on paper to Government. Recovering our marketing area space is therefore vital to this thrust.
- Assuming a successful outcome to the Treasury review means that we must also examine carefully the development of new or re-engineered product offerings. My concern is that next year and more will be totally absorbed by NR2+ and that little work time will be available from the existing teams for new product. I propose that we take a half day workshop to tease this out.
- Presentations and demonstrations have continued as a mainstay of our sales activity. Harry Bush and Ross Newby from Treasury, Geoff Mulgan, No. 10 policy unit and Chris Holmes, CITU spent some two hours with us. We re-ran the session for Jonathan Evans of POCL.

PROGRESS

CUSTOMER EDUCATION

- Customer Education: a presentation on how customer education will be handled as a result of decoupling post office roll-out from benefit roll-out and in phasing benefits roll-out has been made to CAPS and broadly accepted: the acceptance however, is premised on other sponsor support and is without consideration of cost.
- Sponsor internal communications: Five articles have appeared this month in POCL publications. As far as POCL goes there is little activity or process elsewhere. There are concerns over the degree of a universal systematic approach. The process of addressing this has started. CAPS communications is going OK.
- Customer Education : A further presentation to the Horizon Implementation Board on customer education and the suggested approach for the replan is scheduled for 8 September.
- Agreeing the additional costs involved (approximately £1- £3 million) will not be an insignificant task. Any changes will require a change request. All plans currently, therefore, are on hold. New planning will have to now start with exact implementation details.

BUSINESS DEVELOPMENT

EFTPOS:

- POCL are currently undertaking their office pilot. I expect the results of the pilot to be available by year end and that a CCN will be finalised and then put through for contract details. We are involved with the pilot in terms of being updated on progress and are members of POCL's project team for implementing a national service.

GENERIC:

- Analysis work is being undertaken by Pathway. This work will involve the development of generic functions, such as personal details capture that can then be used across several product services without individual development each time.

GENERAL

- Future presentations/demonstrations planned for Chairman Sekizawa on 1st October and for Peter Bateau, CEO of National Savings on 9th October.
- Also sub-postmasters exhibition in Wembley 2-4 October.

CRITICAL PROBLEMS

- Sponsor approach to media communications: It is proving too difficult to engage anyone in the sponsor organisations on how to communicate this project to business audiences, beyond simply speaking about our contractual commitments in communicating the card, this is particularly the case within POCL, whom it most affects. In the BA communication of anything but the card is not an issue of discussion.
- The need for pilots by end '99 to prevent multi-channel and banking choosing non-Horizon routes to prove the concept as clients cannot wait until the end of 2000. This relates back to my workshop point in the summary above.

International Sales Report



ICL Pathway

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International Sales Report

MONTHLY SUMMARY

- No submission this month

Organisation & Personnel Report



Organisation and Personnel Report

MONTHLY SUMMARY

- Recruitment continued to be the main focus this month, with good progress to fill existing vacancies and a focus on resourcing a significant number of new vacancies for the International business.

PROGRESS

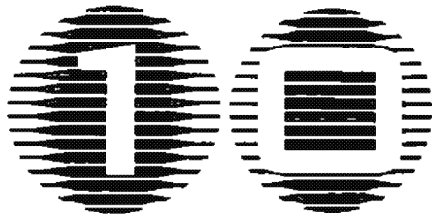
- There has been solid progress in recruiting permanent people, as follows:

Permanent appointments in August	14
Currently under offer	2
Appointments YTD	72
Current requirements	34

- 68% of vacancies have been filled within the benchmark target of 3 months and 52% within 2 months.
- Two assessment centres for graduate trainees were run at ICL Beaumont. 40 potential graduates were assessed for trainee roles in the business and 6 have been invited to meet Pathway managers.
- Several key vacancies were resourced in August, most notably an offer has been made for the position of Fraud Manager, which has been outstanding for some months.
- There is a continued high level of activity to find permanent people for Test and Integration and Development. The new requirements for International Business are being energetically resourced through both the permanent and the freelance route.
- An induction event for new starters was held and well supported by Pathway Managers, 20 new joiners attended the half day event.
- An action plan was developed to address health and safety issues within ICL Pathway. The most pressing issue is the need to undertake workstation assessments and a number of Pathway employees will be trained to undertake this activity over the next period of time.

CURRENT CRITICAL PROBLEMS

- None



Post Office Client Report

The Post Office - Client Director's Report

MONTHLY SUMMARY

- The Technical Resources Supply contract is live and operational with £237k of orders taken to date.
- Interest is accelerating in the potential for Pathway cards in the wider Better Government world.

TREASURY REVIEW

- Following a brief August leave season and the change of ministers, the presentations to Harry Bush (HMT), Geoff Mulgan (No 10 Policy) and Chris Holmes (CITU) sparked off another series of briefing papers and follow up. The potential of the Horizon/Pathway network for delivery of Better Government has been revisited and two papers delivered. CITU private view is that, whatever the decision and/or negotiation, there will be no announcement on the BA-POCL Programme before October.
- Interest is accelerating in the potential of Smartcards for government electronic service delivery, with CITU of the view that the next step is to "close the sale", for the potential of Citizen Smartcards for government, direct, to ministers and MPs. The aim is to break the deadlock between government departments being unwilling to commence electronic service developments until a wider citizen smartcard population exists, and card suppliers being unwilling to issue large volumes of digital signature smartcards until there is a government electronic applications/services market.

ONE-STOP-SHOP DESKTOP SUPPLY

- This Contract, won by ICL Multivendor Computing Division, is running very well with £2m of business in August. Parcelforce have also placed a £2m order for delivery over 3 years for their "Despatch Manager" project, with ICLMC delivering systems directly to Parcelforce's major customers.

TECHNICAL CONSULTANCY

- The bid to PO IT Services for supply of ad-hoc technical skills (bodyshopping) in distributed systems, networks and database has been won and contract signed. This bid was run by ICL Government Services Supply Unit, under Client Management direction from FEL01. Final presentations on 10th June with John Bell fronting resulted in a preferred supplier contract and £237k has been ordered to date. Although this is not large business its importance lies in the ICL visibility and access it will give to the key technical IT managers across Post Office.

OTHER ACTIVITIES

- Of the 23 OJEC bid opportunities advertised this year, the statistics are as follows:

• Total advertised	23	:
• Bids qualified out	13	
• Bids submitted	10	
of which: Bids Won	2	i.e. One Shop Desktop & Technical Resources Supply
Bids Lost	3	
Bids still in train	5	

- The next major bid is for IWIM - Integrated Workflow, Document Image & Management - estimated at £30m, ITT expected October.