ICL Pathway
Bringing
Technology
to Post Office
Counters &
Benefit Payments

Monthly
Progress
Report

ICL

December 1997

POH-380D

ICL Pathway	**Pathway Programme Monthly Report**	Ref:	PA\REP\0020
	Managing Directors Summary	Version:	1.0
		Date:	14/01/98

Document Title: Pathway Monthly Report - December 1997

Associated Documents:

	Reference	Vers	Date	Title	Source
[1]	PM/PRO/0002	1.0	26/09/96	Pathway Programme - Project Planning, Reporting and Control	

Approval Authorities:

Name	Position	Signature	Date
J. H. Bennett	Managing Director		
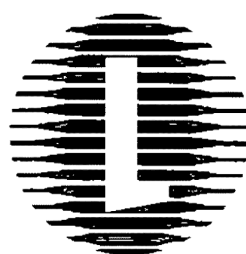
ICL Pathway	Pathway Programme Monthly Report	Ref: PA\REP\0020
		Version: 1.0
	Managing Directors Summary	Date: 14/01/98

Managing Directors Summary

1. SUMMARY

- Live experience over the last few weeks of Release 1c has as expected thrown up a list of operational, procedural and minor software errors which require careful attention. The total list is higher than expected and the pressure now falls on customer service to manage the operational introduction of the various fixes. Some of these will require effort from the 4th line development team and the balance here is to achieve a high service response to the issues we find at the best dates possible but without undue distraction from the development and test teams who are now focusing on New Release 2. Overall Release 1c is providing us with valuable learning experience which we can apply to subsequent releases.

- A successful SEP was held at Hedsor on the 15/16th December at which the entire Post Office Counters Board attended together with other senior managers. Excellent input came from Financial Services, our Information Society team and from CITU, all of which had the effect of stimulating POCL to take a higher profile in the wider business community.

- A presentation on ICL Pathway was given to senior directors in Fujitsu, which concentrated on the need in early 1998 to pursue a recovery plan for the business case, centred around a small number of options.

- A paper has been submitted to the sponsors outlining the key options to re-establish the BA/POCL programme with the most sensible centring around the extension of the contract in order that the full benefits on the extensive infrastructure can be achieved. The response from POCL will be more positive than that from DSS though neither sponsor has yet briefed their respective ministers for a political view on this subject.

- POCL have just announced the appointment of Dave Miller as Horizon Programme Director reporting to the MD of POCL and joining the management board. Dave Miller is a strong internal candidate, very knowledgeable of the early days of this procurement, up to speed on the live operational management issues and with a increasing view of the strategic direction of the Post Office Counters business. We shall mount a programme to work extremely closely with Dave to see how we can integrate our programme activity with the key roles he must perform from the centre.

- Considerable work has been done with Masons to audit our main files and history on the programme and to enable them to take a view on the strength of our position in the context of the replan. Work on this continues but will be influenced by the response from the two sponsors to our commercial proposals.

- There has been an increasing amount of press interest in the Horizon programme, most of it negative, concerning programme delays and quite critical of the relationship between DSS and POCL. All the leaks seem to be government inspired and we are often left speaking to the press on the grounds that neither BA or POCL will make any comment. Indeed both parties seem very keen to pass the journalists on to us. Nevertheless we need to exercise extreme care on these contacts and ensure we stick well within the agreed press lines.

2. PROGRESS

2.1 RELEASE 2 HIGH LEVEL PLAN
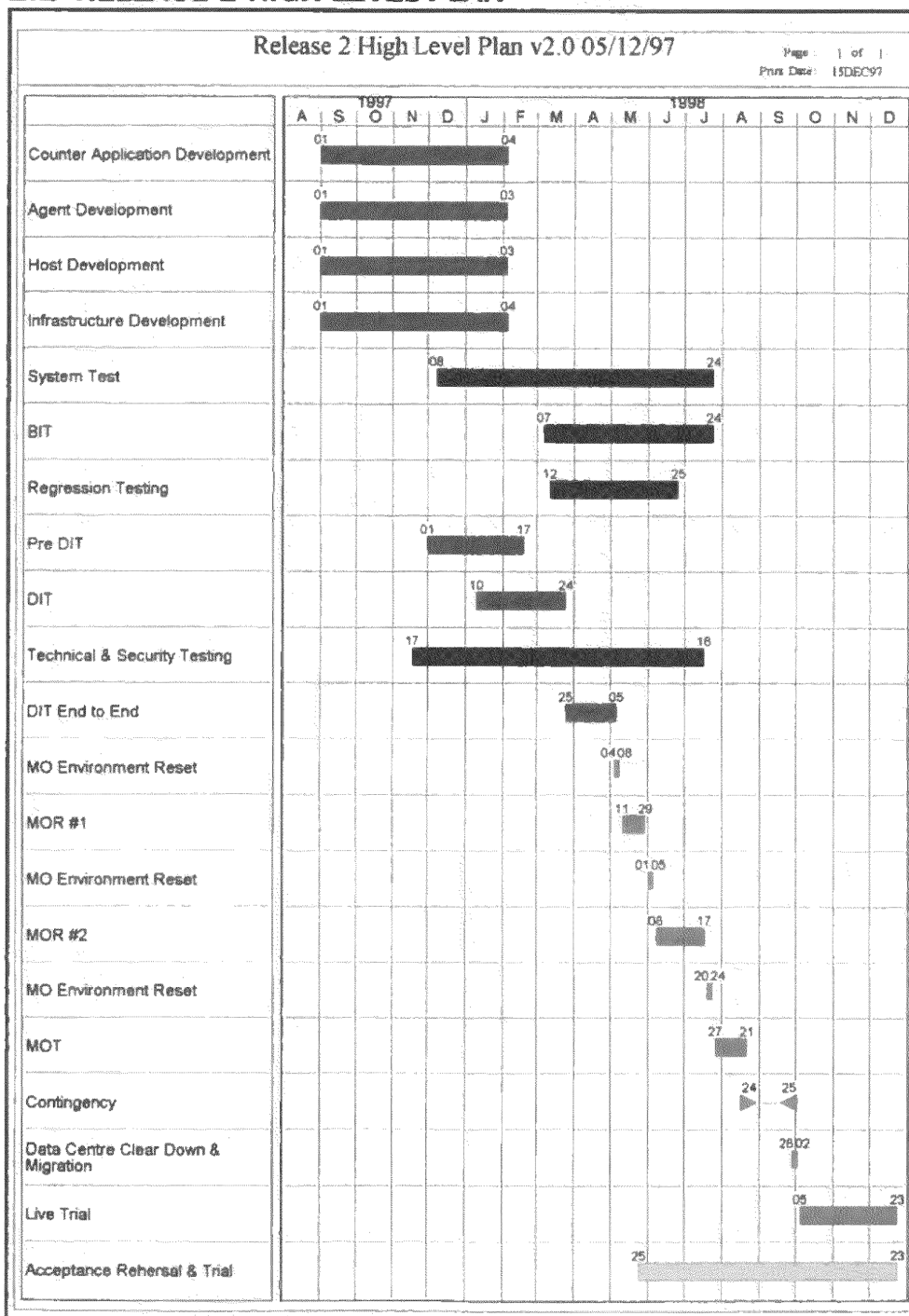
Release 2 High Level Plan v2.0 05/12/97   Page : 1 of 1
Prnt Date: 15DEC97

2.2 PROGRESS - GENERAL

- We now have responses from the PDA on the release contents description [RCD] for New Release 2. From an unsifted list of some 270 entries, we have 18 potential critical items. 6 of these have now been resolved subject to confirmation and a further 6 are well advanced. Sign off of NR2 remains targeted for the end of January but this must be at risk on these final items.

- NR2 system testing started on schedule on the 8th December and progress is as expected. We now have all the source code from Escher for the NR2 products and the product drops themselves were delivered as expected in December. Building systems from these product drops within test and integration is on schedule.

- A management care visit programme has been completed from 1997 and published. This concentrates entirely on Release 1b where the positive response was obtained for all aspects of service engineering and help desk coverage. Areas of criticism centred on the scheduling of training, the travel and the costs of attending such sessions. Nevertheless the overall satisfaction was over 90%. This programme will continue in 1998 where it will clearly focus on Release 1c.

- The risk management report for NR2 was completed and circulated to Fujitsu on the 23rd December. This highlights the confidence level of the 5th October for release of NR2 at the 80%+ level.

- Work on the Year 2000 conformance programme has moved ahead with supplier reviews for both products and services with monitoring being carried out through a risk register. We have shared this material with POCL who have accepted our approach as being compliant with their needs. Work is now continuing to develop the joint testing programmes between ourselves, PDA, POCL and BA to ensure NR2 as delivered is conformant.

- Support wherever possible from across the units in Pathway has been given to the International team on the Deutsche Post proposal. They have been shortlisted and have now started technical evaluation tests in Germany on our software approach.

- Work continues on the Bill Pay initiative will considerable follow up in terms of documentation. POCL clearly find it difficult to make a decision in this area and we cannot rule out that a "do nothing" position might not be the chosen course of action.

- Customer education material to support Release 1c has made good progress and all the range of collateral and is now available by the Pathway fulfilment service.

- Business Development team have spent time with the Welsh, Scottish and shortly the Northern Ireland Postal Boards to present and discuss the Horizon system. The role of these boards is to promote the Post Office both politically and in their own business environment.

3. ISSUES

- Work on the task for acceptance has still to pick up speed mainly because the key resources have yet again been diverted on to more pressing work during December.

- There is a concern that the work needed to correct the software quality issues with Release 1c might impact on the development resources focused on NR2.

- There is considerable work still needed to complete the EPOSS development and some of this is now running late. This will create pressure on the milestone schedules which have yet to be determined.

- Work has started to bottom out the task of migration from Release 1c to NR2 and until complete this area remains a key risk.

- There remains at least six difficult gating items for a sign-off for the RCD of NR2. Whereas most have potential solutions for work arounds, a critical one concerning disc failure in single position offices currently has no clear solution or acceptable work around. This is getting key attention.

- The October 5th date for software release of NR2 remain viable but continues at high risk due to the amount of work outstanding. This will remain the case throughout the development and test phase.

- The concept of a lower technology solution for the smaller Post Offices has been accepted by the sponsors and the task now is to construct a credible development plan for Pathway Light which we can share with the PDA. This will be quite a major piece of work.

4. COSTS

4.1 TOTAL PROGRAMME COSTS
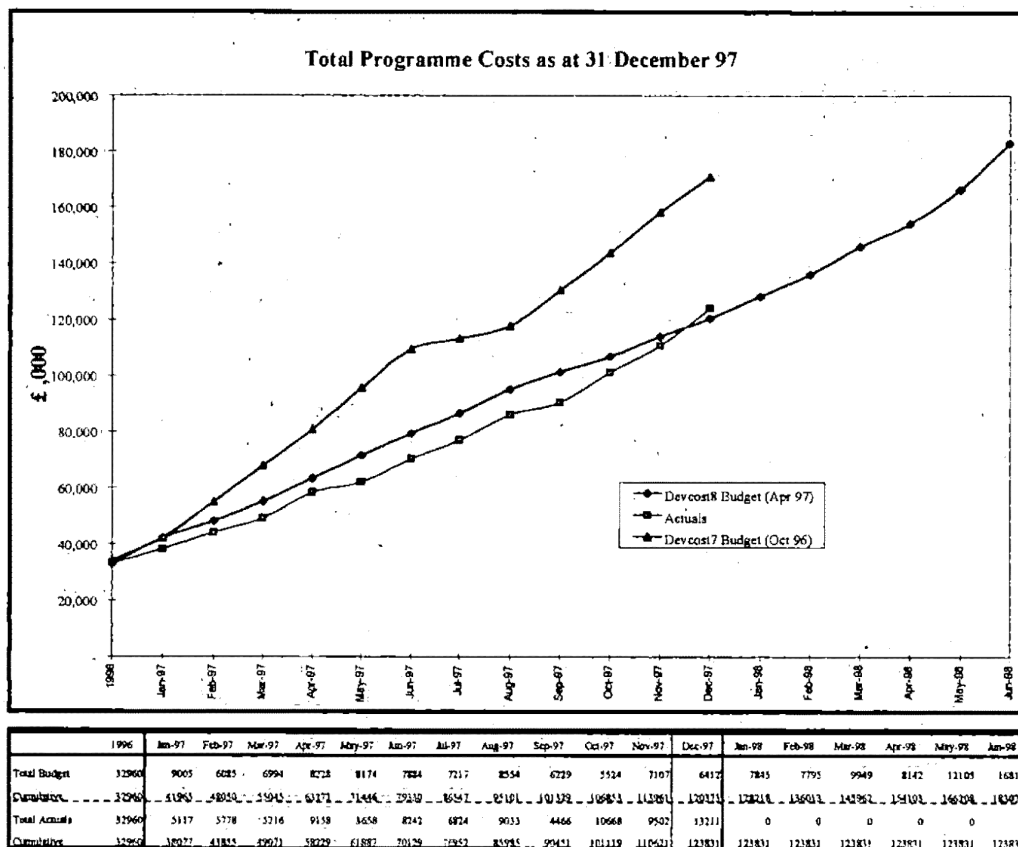
Total Programme Costs as at 31 December 97

	1996	Jan-97	Feb-97	Mar-97	Apr-97	May-97	Jun-97	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98
Total Budget	32960	9005	6685	6994	8728	8174	7824	7217	8554	6729	5524	7107	6417	7845	7795	9949	8142	11105	16315
Cumulative	32960	41965	48650	55643	64371	72446	79139	86951	95181	101933	108561	113661	120311	128211	136013	145962	154101	165204	181406
Total Actuals	32960	5117	5778	3216	9159	3658	8242	6824	9033	4466	10668	9502	13211	0	0	0	0	0	0
Cumulative	32960	38027	41835	49021	58229	61887	70129	76952	85975	90441	101119	110621	123831	123831	123831	123831	123831	123831	123831

FUJ00058166
FUJ00058166

4.2 TOTAL PROGRAMME CURRENT COSTS

Total Programme Current Costs as at 31 December 97
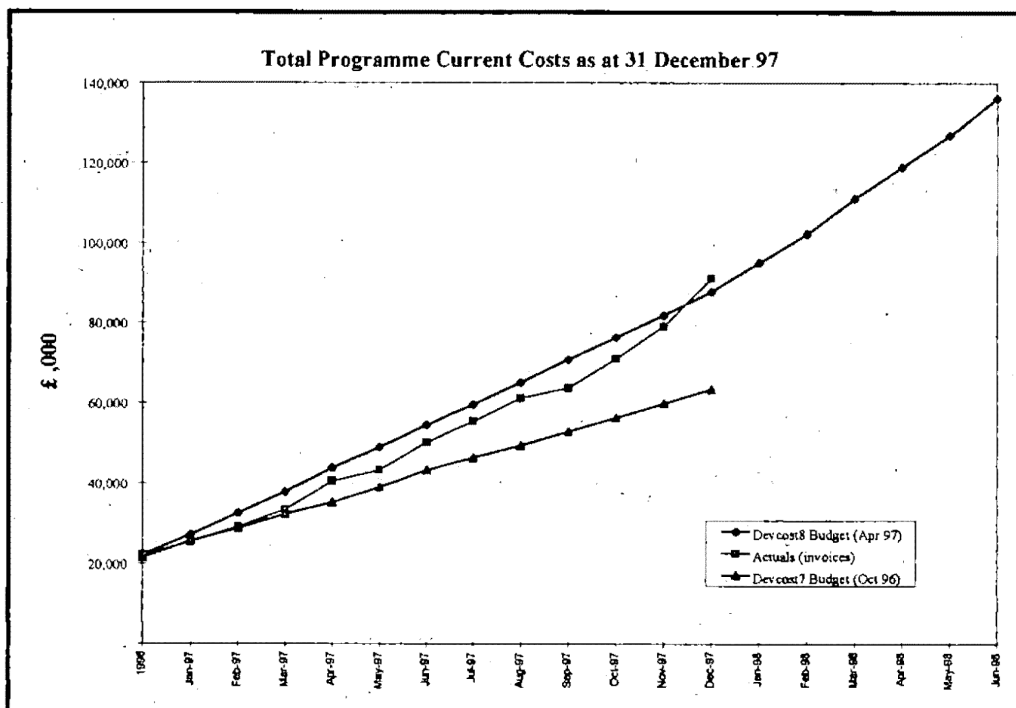
	1996	Jan-97	Feb-97	Mar-97	Apr-97	May-97	Jun-97	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98
Current Budget	22079	5026	5339	3286	5999	5125	5515	5121	5523	5766	5481	5503	5875	7315	7275	8890	7793	7897	9381
Cumulative	22079	27105	32444	37210	43209	48334	54349	59491	64013	70779	76260	81763	87638	94954	102229	111119	118911	126808	136189
Current Actuals	22079	3145	3816	4214	7138	2736	6851	5293	5767	2521	7384	8011	11986	0	0	0	0	0	0
Cumulative	22079	25224	29040	33254	40392	43128	49979	55271	61038	63558	70942	78953	90939	90919	90919	90919	90919	90919	90919

ICL Pathway **Pathway Programme Monthly Report** Ref: PA\REP\0020
Version: 1.0
Managing Directors Summary Date: 14/01/98

4.3 TOTAL PROGRAMME CAPITAL COSTS

Total Programme Capital Costs as at 31 December 97

	1996	Jan-97	Feb-97	Mar-97	Apr-97	May-97	Jun-97	Jul-97	Aug-97	Sep-97	Oct-97	Nov-97	Dec-97	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98
Capital Budget	10831	3979	746	1708	2229	3049	2369	2096	3031	465	43	1604	537	530	320	1059	549	4208	7437
Cumulative	10831	14810	15626	17318	19541	22582	24960	27056	30087	30552	30591	32184	32734	33264	33584	34641	35192	39400	46837
Capital Actuals	10831	1972	1962	1002	2020	922	1391	1552	3266	1845	3284	1490	1225	0	0	0	0	0	0
Cumulative	10831	12833	14815	15817	17832	18759	20149	21691	24947	26893	30177	31667	32892	32892	32892	32892	32892	32892	32892

- The forecast costs for delivery the programme based upon the new Release 2 time table will not be baselined until the plans are firm towards the end of January.

Programmes Report.

Systems Report

1. MONTHLY SUMMARY

- The most significant milestone to be achieved during November was the successful implementation of release 1c in 205 post office outlets. However, in parallel with this and drifting into early December, the team were working hard to establish the functional baseline and delivery schedule for New Release 2.

- On December 8th, the Sponsors agreed to a plan which included a software release for NR2 on 5th October 1998, Live trials commencing in January 1999 and National Roll-out in April 1999 even though there were still a few items associated with the release contents to be resolved. It is recognised by all parties that failure to agree on these outstanding issues by the end of January 1998 jeopardises the plan. The human and hardware resource implications for ICL Pathway are now being factored into the detailed internal plans and budgets.

- The POCL evaluation of the ICL Pathway proposal to implement an early version of 'Bill Pay' to compete with PayPoint continues, albeit very slowly.

- The solution for the 'low volume outlets' and those not served by ISDN is being re-evaluated and a new proposal referred to as 'Pathway Lite' is emerging. Although this does remove the need to develop a satellite option, the full life cycle impact is unclear at this stage.

2. PROGRESS

- The application product deliveries to enable system test to commence 8th December were achieved as planned. They included end to end OBCS and APS, the BES counter and the EPOSS framework without cash accounting. The final stages of development for BPS progressed satisfactorily and we expect to have the end to end product available for system test 16th January as planned. Work on defining the outstanding development for EPOSS did not advance at the pace expected. This is now the subject of a detailed review.

- System test itself proceeded according to plan and has provided the anticipated feedback to product integration and design. In addition, significant steps towards implementing the joint business testing approach have been made including the allocation of PDA/Sponsor staff to the team.

3. CURRENT CRITICAL PROBLEM

- It is very important for the programme to establish a functional baseline for New Release 2. This is now scheduled for the end of January 1998 and any slippage could impact the final delivery date. There are currently 12 issues outstanding.

- Considerable effort has been expended in identifying the hardware required to support the NR2 plan. This includes the data centres, system and integration test rigs and support rigs. The majority of this additional equipment must be purchased and installed within the next few weeks otherwise serious delays will occur. This represents a considerable challenge.

- A decision as to whether the ICL Pathway proposal for 'Bill Pay' is to be implemented is urgently required. There is a danger that it will soon become a diversion rather than an opportunity.

- The review of EPOSS to determine the gap between the product delivered by Escher and that required by POCL has not progressed at the pace expected. This is now subject to a detailed management review to identify what recovery options are available.

4. ISSUES

- The migration from release 1c to NR2 is complex and requires very careful and detailed planning and thorough testing. The document which describes the strategy and approach is scheduled to be agreed with the sponsors by the end of January 1998. We must ensure that we properly understand all the implications on the programme as a whole. It is important that we convert the 1c outlets to NR2 in October 1998 and prove the system even though the 'official' live trial is not scheduled to commence until January 1999.

- The number of Bill Pay clients and services required to be supported since the contract was awarded has increased significantly. Identifying all the services and the work associated with the take-on is proving to be a troublesome task.

- The PDA and Sponsors are turning their attention to the contents and delivery dates for the future releases. Workshops are being arranged in January to agree the way forward, but until then there is uncertainty regarding contractual acceptance and the introduction of new products.

- The systems directorate is finding it increasingly difficult to support the international activities. A proper well thought out resource strategy is required if this is to continue on a sensible basis.

- The increased size and complexity of the system has had a consequential impact on the performance testing required. Additional activities and resources have been identified and these need to be properly factored into our detailed plans.

- The system does not currently handle nested customer sessions properly i.e. start/end of day, start/end of clerk session, start/end of EPOS, start/end of benefit encashment etc. This is a well known problem in retail and point of sale systems and must be resolved for NR2.

- The current proposed approach to outlet implementation involves two overlapping streams of activity. Site survey and preparation and equipment installation. This is designed to allow a build up of prepared sites to mitigate the risk of not achieving the roll-out beat rate. The earlier you start the first stream, the greater the number of prepared sites in the buffer for installation. However, this desired situation must be balanced against the up-front costs and the 'drop-out' rate of post offices. The approach must be agreed with POCL within the next couple of weeks. .

- The Audit design specification suggests that there are a number of areas where additional development is required for NR2. A detailed review has been commissioned to determine whether the design is too sophisticated and can be simplified.

- In keeping with most other elements of the Pathway solution, the Roll-out Database has increased in functionality and complexity. The development of this product has been the subject of close scrutiny during the past few weeks but early test results indicate that the latest version is of reasonable quality. A full audit of the code and functionality is underway.

- The Host system which interfaces with the POCL TIP system is known as TPS. Early performance test results indicate that further work is necessary if we are to satisfy the throughput estimates.

- Reference data is poorly defined in the contractual requirements but is crucial for the proper control of changes to outlet/product data. POCL are only now realising its significance and we must be vigilant if we are to avoid requirements creep.

- The true development life cycle implications of 'Pathway Lite' must be identified at the earliest opportunity if we are to properly integrate the activities into the overall plan.

5. COSTS

- The systems directorate is in the process of baselining their budgets for 1998 and expect to complete this exercise early February.

Commercial and Financial Report.

Commercial & Financial Report

1. MONTHLY SUMMARY

- After some weeks of positioning, we have now launched the sales campaign to secure revised contractual terms for this programme.

- It is very important to this end that visible service deficiencies in 1c be resolved on a time of the essence basis.

- The RCD for NR2 has made progress but still needs to be signed off. We must successfully resist having to include things which become critical path items or which dilute our focus. One more push etc.

- The top 50 A2As needs to be accelerated to ensure no content/development surprises.

- All correspondence of a contractual or quasi-contractual nature including policy or positioning on Requirements, Security or Programmes should from now on (for the foreseeable future) be checked for contractual conformance by either Warren or myself before being sent to the PDA.

- Given the lack of planned roll out activity in 1998, we have a duty to mitigate our own costs and those of our subcontractors. That means battening down the hatches and, in some cases, getting rid of people we will not need for 12 months.

- Masons have concluded that we have a solid case.

- In summary, we have gone on to the front foot.

2. PROGRESS

- 1c mostly going well

- NR2 issues down to 12 (albeit one or two of them meaty)

- Some important principles on assurance etc. methodologies resolved with PDA

- We have got the message across (I think) to POCL and BA that terms must be changed

- There is an emerging vision about social banking, government services to the citizen etc. as a basis for an extended term

- Masons believe we have a solid case in the event we have to litigate

- The Bill Pay initiative shows some signs of gaining ground (but don't hold your breath)

- POCL Programme Director appointed

2.1 EXTERNAL, WITH PDA

- CNT - Little activity or progress in December

- JCCB - Still no meetings

- Finance and Commercial Forum:

    Some progress on second level issues and housekeeping

    We have kept the wheels turning and lines of communication open

- Contract baselining and Acceptance process:

    The primary focus remains NR2 definition via the SADD and SFS, related controlled documents, and the RCD.

    In addition, we need to complete those A2A documents which are in our domain to do, with a clear focus on the top 50 which could impact on design and development. Unless we issue these, or can point to delay on the part of PDA/customer which justifies our not having done so, we will not be in a good position to claim time alleviation. Design and Development should involve me as necessary. CCNs are required in each case to introduce A2A resolving definitions: the timing of their implementation should be part of the CCN.

    We need to update Solutions via CCN to conform them to the SADD etc. where they are now different. The Solution takes precedence contractually over the SADD etc. even when the Solution is wrong.

    John Dicks has taken the lead on Acceptance - thank you John.

    The relationship between Acceptance (as defined in the contract) and "Assurance" (which is not) has now been largely resolved to our satisfaction, but we will need to manage to the agreed position robustly to ensure no creep.

2.2 EXTERNAL, WITH SPONSORS

- We declared our contractual position formally on 19th December. In short, we have said that to compensate us for the programme delays we require either:

    A 30% price increase, or

    A 5% price increase plus a 5 year extension of term.

- Variations are possible, including delayed payments by BA.

- As things stand today, the programme is non-viable commercially.

- We have begun to articulate the many positive reasons for extending the (exploit the current solution as a low risk migration platform, then leverage the network infrastructure into social banking, new citizen centric services, new client services, electronic post office, etc.) starting with the DTI last week. The DTI and Post Office are now substantially on-side but the BA probably not.

- The alternative to a new deal is termination, which means we sue them and they sue us, a press bonanza, PFI fallout, a fight to the death. Masons are confident we would win damages for constructive termination. The point is that the baseline comparator is termination and not carry on as we are.

2.3 EXTERNAL, WITH SUPPLIERS

- Holding our suppliers is becoming increasingly costly and fraught for them and our own people who have to deal with them. We must strike a balance between saving money and keeping core programme capability intact. On the one hand, we must resist paying people simply to stand by and filling warehouses with equipment we do not need for another year. On the other, we cannot afford to throw away supplier goodwill or make life impossibly difficult for our own staff.

- We need to apply an honest assessment of the equipment we have selected. The current PCs in particular are suspect. Component obsolescence generally is now a risk. More work needed.

2.4 INTERNAL TO ICL PATHWAY

- The NR2 baseline has progressed and the gaps are now much better understood. There are however at least 12 issues on the RCD, any one of which if not resolved would push out timescales. There are up to 50 A2As which could do the same unless we can secure time alleviation.

- 1c pressures mean that design and 4th line development effort is still being consumed on yesterday's release. The risk is a bow-wave of work which will push NR2 out, and which in turn will ripple through to NR2 plus.

- NR2 plus criticality is just around the corner. See below.

- In parallel, we have to finalise departmental Budgets for this year which reflect realistic activity plans.

3. CURRENT CRITICAL PROBLEM

- Securing agreement to NR2 content we can live with, without having to put more in.

- Securing agreement to start roll out based on NR2: there is a suspicion that BA/POCL wish to defer roll out until NR2 Plus is ready to go (specifically, Smart AP), which could explain the gap between April and July 1999. That would be consistent with NR2 providing the confidence for BA/POCL to *commit* to go ahead rather actually going ahead - in which case the gating item for roll out will be NR2 Plus availability, not NR2. [That is not what the Contract says, but as we are into renegotiation, we must be on the lookout for this one....]

- BA/POCL agreeing to our revised contractual terms

- Renegotiating with suppliers (to come)

4. ISSUES

- Pathway Business viability

- BA's will to make the programme work

- POCL's strength to drive it

5. COSTS

5.1 KEY DATA 1996 - 1998 (INCLUDING YEAR-END ACTUALS FOR 1997)

5.1.1 PROJECT COST ANALYSIS (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Revenue	-	15.2	0.2	0.2	0.6
Direct Cost of Sales	-	17.8	15.6	16.1	16.2
Gross Margin (Deficit)	-	(2.6)	(15.4)	(15.9)	(15.6)
Opex:- Labour Related	6.3	13.3	16.3	16.0	20.8
ICL Subcontracts	4.7	3.6	12.3	12.2	12.4
Other Subcontracts	11.0	5.3	10.2	9.6	7.8
Depreciation	0.6	5.9	6.4	6.6	10.0
Marketing	0.4	5.0	0.7	0.4	1.5
Professional	0.9	4.1	1.2	1.2	1.0
Other opex	1.0	2.8	3.0	3.3	3.4
Gross Project Opex	24.9	40.0	50.1	49.3	56.9
Interest costs/(income)	(0.1)	5.1	3.4	3.5	11.1
Costs before Capitalisations	24.8	47.7	68.9	68.7	83.6
Declared PBT Losses	-	5.1	0.4	0.6	1.0
Capitalised into WIP during year	24.8	42.6	68.5	68.1	82.6

Yr End Comment:

Overall costs were £0.2m lower than the November Forecast, but within that number, the costs attributable to overseas bids - which are not capitalised - were higher than forecast.

5.1.2 HEADCOUNT (YEAR END)

Permanent	62	94	115	114	145
Non-Permanent	73	73	121	113	88

Yr End Comment:

Permanent headcount virtually in line with forecast, and Freelancer uptake in the final couple of months of the year was lower than forecast.

ICL Pathway   **Pathway Programme Monthly Report**   Ref: PA\REP\0020
                                                                    Version: 1.0
                       Commercial & Financial Report   Date: 14/01/98

5.1.3 BALANCE SHEETS (£M)

	Dec 96	December 1997			Dec 98
	Actual	Budget	Nov97 Fcast	Actual	Budget
Net Fixed Assets	8.6	65.2	36.8	36.2	42.5
Project Work in Progress	24.8	67.4	93.3	92.9	175.9
Other Working Capital	(11.1)	(8.1)	(15.7)	(19.8)	(12.3)
	22.3	124.5	114.4	109.3	206.1
Share Capital	20.0	20.0	20.0	20.0	20.0
Retained Earnings	-	(5.1)	(0.4)	(0.6)	(1.4)
Group Pooled Borrowings	2.3	109.6	31.7	27.0	88.7
External Loans	-	-	63.1	62.9	98.8
	22.3	124.5	114.4	109.3	206.1

Yr End Comment:

Borrowings and loans were £4.9m lower than forecast, due to a combination of the lower net project costs and higher than forecast creditor/intercompany balances. This should largely correct itself in January/February. We were successful in delaying payment for the new Numa machine (£1.7m) beyond the year end.

5.2 ANALYSIS OF MAJOR ITEMS (£M)

5.2.1 REVENUE (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Transaction Charges	-	15.2	0.1	0.1	0.3
Change Control Contributions/Sundries	-	-	0.1	0.1	0.3
	-	15.2	0.2	0.2	0.6

Previous Note:

Programme delays in 1997 virtually wipe out the budgeted transaction based revenues.

Yr End Comment:

No change control costs have yet been billed to BA/POCL. We have now started to invoice for consumables (Receipts/ATPs)

5.2.2 COST OF SALES (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Sorbus System Maintenance, Help					
Desks and System Management		4.6	3.7	3.7	4.4
CFM Data Centre Management		5.0	6.7	6.9	6.8
Girobank Help Desks		1.0	0.1	0.1	0.1
Energis Network Communications		3.2	1.2	1.2	1.5
De La Rue Card Production		2.2	1.6	1.5	0.4
Peritas Documentation		0.1	0.4	0.3	0.1
Royal Mail/POCL Card Distribution		2.0			
Girobank Fraud Management		0.5			
Supplier Compensation Payments			· 1.9	2.4	2.9
Recoveries from Subcontractors		(0.8)			
	-	17.8	15.6	16.1	16.2

Previous Note:

The charging structure of Sorbus and CFM, with a high element of fixed cost recovery meant that there were few savings to be had from the delayed start of rollout.   Several subcontractors are looking for compensation for the damage to their short-term profitability, leading to the need for provisions for such payments in both the current year forecast and next year's budget.

Yr End Comment:

No major variance in charges received. The dividing line between Sorbus and CFM is increasingly blurred.   The main increase is in the amount charged to cost of sales for supplier compensation as a result of the rollout delays. This includes a £2.0m accrual at the year-end, which - along with extra provisions in next year's budget – will be needed for payments to Girobank, WTL and continuing De La Rue payments.

5.2.3 LABOUR RELATED COSTS (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Permanents:					
Gross Pay	1.3	2.8	3.1	3.1	4.5
Bonuses	0.5	0.8	0.5	0.5	0.5
Payroll costs/benefits	0.5	0.9	1.1	1.1	1.7
Sub-total; Permanent Staff	2.3	4.5	4.7	4.7	6.7
Freelancers					
Freelancers	3.6	8.1	10.7	10.4	13.2
Travel & Subsistence	0.3	0.5	0.6	0.6	0.7
Recruitment & Relocation	0.1	0.1	0.2	0.2	0.1
Training	-	0.1	0.1	0.1	0.1
	6.3	13.3	16.3	16.0	20.8

Previous Note:

The growth in staffing levels in both 1996 and 1997 shows through in the following years, as the full year cost impact hits. The need for more freelancers in 1997 than budgeted is the main cause of the variance from budget this year. Permanent staff costs in 1997 are only slightly higher than budget, with delayed recruitment in many areas offset by the filling of unbudgeted positions in areas such as international sales, customer service and programme management.

Yr End Comment:

Savings arise entirely on Freelancer costs, with all other areas on track.

5.2.4 ICL SUBCONTRACTS (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Use of Individual ICL Consultants	1.6	1.3	3.3	2.8	5.1
Solutions Centre - Test & Integration	1.2	1.6	3.7	3.5	3.6
Incident Management	0.2		0.1	0.1	0.1
Verification Centre Config'n Services	0.1	0.5	0.6	0.6	0.5
Security Consultancy/Development	0.3	0.1	0.9	0.9	0.7
Product Support			0.1		0.5
HPS/Software Technologies			1.8	2.1	0.5
Agent Development	0.3		1.0	1.1	0.7
Internal IT Support			0.1	0.1	0.3
CAPS Access	0.2	0.1	0.3	0.4	
Others			0.3	0.4	
Overseas Bid Costs			0.1	0.2	0.4
Contingency Accruals	0.8				
	4.7	3.6	12.3	12.2	12.4

Previous Note:

This is the area where most of the current year cost overruns have occurred, with the increased project Complexities manifesting themselves in areas such as the use of Solutions Centre (for development, testing and security consultancy), and heavy use of HPS/ISTL resources. Individuals from ICL Enterprises and Consultancy have also boosted most departments' resources to a far greater extent than was budgeted.   Aggregate costs in this area are expected to remain much the same in 1998.

Yr End Comment:

Very few surprises. The variances in "named contractors" and ISTL costs are offsetting, in that several ISTL resources were forecast on a named basis, but actuals have not been analysed to the same level of detail.

ICL Pathway   **Pathway Programme Monthly Report**   Ref: PA\REP\0020
Version: 1.0

Commercial & Financial Report   Date: 14/01/98

5.2.5 OTHER SUBCONTRACTS (£M)

		1996	1997			1998
		Actual	Budget	Nov97 Fcast	Actual	Budget
Escher:	Management Fees	0.7	1.3	1.3	1.3	1.2
	Development Costs	3.4	0.2	3.0	2.9	0.6
An Post:	Consultancy	0.2	0.1	-		-
Oracle:	Development Costs	3.6	0.8	4.2	3.9	3.0
	Support	0.1	0.8	0.5	0.5	1.5
Various:	Initial Go-Live Trial Costs	0.9	0.2	1.3	1.2	-
CFM:	MIS Development Costs	1.0	1.0	0.5	0.3	0.7
	Rollout Database Develop't	0.1		0.1	0.1	0.1
Fraud Risk Consultancy		0.1	0.2	0.2	0.2	0.3
Others		0.3	0.5	0.5	0.6	
Contingency Accrual/(Release)		0.6	0.2	(1.4)	(1.4)	0.4
		11.0	5.3	10.2	9.6	7.8

Previous Note:

Project delays and complexities have led to increased current year expenditure with both Escher and Oracle, and the extended IGL also contributed to the higher cost levels.

Yr End Comment:

Oracle development resources tailed off slightly towards the year-end, and we resisted any further billings from CFM for their MIS work. This will obviously hit in early 1998.

5.2.6 MARKETING COSTS (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Public Awareness Programme		4.6	0.2	0.1	0.8
Agency Fees	0.3	0.3	0.3	0.3	0.3
Exhibitions/Client Development	0.1	0.1	0.1	-	0.2
Overseas Bid Costs			0.1	-	0.2
	0.4	5.0	0.7	0.4	1.5

Previous Note:

The main variable in marketing costs has been the timing of the build up of the expenditure on public awareness. This was budgeted to start in earnest in 1997, but will now only be getting started in the later months of 1998.

Yr End Comment:

Expenditure on the Public Awareness activities is still in its infancy, but with some underlying expenditure to be billed by McCann Erickson very shortly for the initial spend on leaflets and tapes.

5.2.7 PROFESSIONAL FEES (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Contract Administration	0.1	0.1	0.1	0.1	0.1
Financing - Legal Fees		0.6	0.4	0.2	
Financing - Arrangement Fees etc		1.0	0.3	0.4	0.2
Financing - Hambros Bank advice		1.0	0.6	0.6	
Audit		0.1	0.1	0.1	0.2
Others	0.1	0.8	0.2	0.3	0.1
Business Interruption Consultancy	0.1				
Insurance		0.5	0.1	0.1	0.1
Contingency Accrual / (Release)	0.6		(0.6)	(0.6)	0.3
	0.9	4.1	1.2	1.2	1.0

Previous Note:

Variations in the cost of setting up the project financing structure are the principal reasons for the current year cost savings.

Yr End Comment:

No major variances.

5.2.8 OTHER OPERATING COSTS (£M)

	1996	1997			1998
	Actual	Budget	Nov97 Fcast	Actual	Budget
Premises	0.7	1.5	1.5	1.5	2.0
Communications	0.1	0.1	0.4	0.4	0.3
Internal IT Costs	0.3	0.4	0.4	0.5	0.3
Equipment Maintenance		0.7	0.5	0.5	0.7
Other	0.1	0.1	0.2	0.4	0.1
Recoveries from De La Rue / Girobank	(0.2)				
	1.0	2.8	3.0	3.3	3.4

Previous Note:

The establishment of multiple Pathway sites, mainly to relive the pressures on FEL01, are the main drivers behind the cost increases. Maintenance of the high levels of test and reference rigs accounts for an increasing cost element, as kit moves out of warranty periods

Yr End Comment:

Main variance occurred on exchange variances, where the negative impact of the rate-fixing taken up last year has hit home.

Customer Requirements Report.

ICL Pathway   **Pathway Programme Monthly Report**   Ref: PA\REP\0020
Version: 1.0
Customer Requirements Report   Date: 14/01/98

Customer Requirements Report

1. SUMMARY

- The Customer Requirements team is now to focus to the maximum extent possible on Contractual Acceptance.

2. PROGRESS

2.1 DETAILED PLAN ACTIVITIES

2.1.1 RELEASE 1

- Tony H has agreed with CAPS how their changes for Release 1c Reference Data will be introduced, although the introduction of new benefit and post offices is outside their control. Tony has also put a stop to back door attempts to get Pathway to update DSS Reference Data for them.

- Live support workload for Release 1c is declining: We are trying to understand why cards are being requested for non-automated offices, probably the knife and fork state of the CAPS product. A CP was raised to introduce reporting of failed ISDN connections: one office was offline unnoticed for 10 days.

2.1.2 RELEASE 1 / NEW 2

- Counter Hardware Design Specification: All changes for a Version 4 have been agreed with PDA and will be introduce via CP.

- The Post Office Closures document was updated.

- Although we have got the CAPS baseline now under change control it is not of itself preventing CAPS from preparing changes to it.

- The team has contributed to closing down the CAPS related NR2 issues and matching off the ORACLE PAS/CMS work. To give you a flavour of the issues: CAPS are unable to handle the notion of temporary post office closure ending in the post office reopening.

- Tony H and Dave H and reviewed at great length the PDA Business Process Models for Nominated Post Office changes, Urgent Payments and Urgent Cards, although usefully as the DSS staff who actually knew what was happening in the Feeder Benefit Systems were available. PDA/DSS are attempting this work far too late to be of value for New Release 2.

- Dave H produced replies to the redraft of CCN 117 in as many days as it took months for the PDA to produce it. We are now taking the line that the work has been done so the CCN had better reflect that reality.

2.1.3 RELEASE NEW 2 / 3

- A SADD Version 5.0 was output, incorporating those changes agreed as part of the New Release 2 Release Contents Description that will endure into the Steady State. This completed the Customer Requirements PA Tactical Action Plan commitments.

- Summarised receipts for nursing home bulk transactions: DSS is working up a requirement that this be handled by producing a final summary receipt to which each individual receipt is cross referred - that is they still want the individual receipts.

- On-line enquiries: DSS has provided a simple requirement statement for on-line enquiries.

2.1.4 CARS

- There was no CAR work done in December because of other priorities principally Mason's. The principal task remains to mark up those as yet undelivered CARs which are the more urgent for New Release 2.

2.1.5 ACCEPTANCE

- The team is now focusing to the maximum extent possible on Contractual Acceptance.

- All Acceptance Tests were increased in scope per last July's CNT agreement, with elements of Solutions, Service Schedules and SADD required to be added as new criteria. Every Test Specification has to be substantially changed. On the plus side, new style Test Threads and High Level Test Plans from T&I are much improved, making the mapping of the criteria to the tests easier.

- A lengthy treatment of the placement and meaning of Service boundaries was produced and a follow-up held with POCL. The issue is that if DSS can force POCL to accept responsibility for the payment authorisations that are sitting in TMS and BES then they have a unforeseen contingent liability at any point of about £200M, which is beyond their powers. There is a follow up this month.

2.1.6 MASONS

- All the team contributed to helping Masons identify sources of project creep and delays.

- John D spent about two weeks before Christmas going through CAR-related "opportunities" and the associated audit trail.

- All CAPS document histories, CRs/CPs/CCNs, were reviewed (and the library record put right en passant). Tony H overhauled the document produced by Masons in respect of CAPS controlled documents: many of the dates quoted for documents are not recorded correctly in PCMS.

- Dave C did a similar pass of the AP Smart and POCL Reference Data history.

- Masons are back.

2.1.7 NEW BUSINESS SUPPORT

- LFS: A customer meeting was held with POCL and some related parts of EPOSS, into which LFS is to be integrated, were demonstrated. POCL have identified that Secure Stock items should include non-value material (e.g. MVL tax discs). POCL have to formally respond to last issue of the Business Requirements Definition (v13) (4/11/97). Discussion on the operational schedule and hence agreement on SLAs are outstanding.

- Department of National Savings: This addition to the original contract scope depends on the dates Pathway can offer for Releases after New Release 2.

- EFTPOS: Dave C conducted supplier ITT assessments and attended the first of three supplier visits at Comms XL. Checkline and Retail Logic visits are week beginning 12/1.

- Household Budgeting: A paper to scope the demonstration is being produced jointly with Design..

2.2 OTHER TEAM ACTIVITIES

2.2.1 INTERNATIONAL SALES BIDS

- DPAG: Dave H created and sent to the OSI team a 40-slide technical presentation covering our proposal for presentation to customer on Monday, defined work packages for service delivery and demonstrator planning, and defined the requirement for an Archive Server. This latter item might be in common with that needed for Horizon.

2.2.2 OTHER

- DCH attended the final Best Practices Working Group. We hope to introduce some Requirements Tracking & Management productivity tools which are beginning to appear.

- The Pathway Lite document was revised. Work on this is now with Architecture and Design.

3. CURRENT CRITICAL PROBLEMS

- None

4. ISSUES

- Contractual Acceptance: It is apparent the PDA that we have been unable because of dependencies or too busy on other things to make progress with Acceptance preparation. We have to focus on this now and this will mean sacrificing many other strands. On the other hand, the number and importance of the NR2 exclusions - many being down to the customers - and the introduction of a NR2+ may cause the customer to seek deferral of Acceptance activities when they see the relatively limited lifetime and exposure of NR2.

- In my view CAPS development has all the hallmarks of being out of management control with baselines shifting this close to delivery.

- The handling of CCNs is not showing any sign of improvement. PDA Commercial are nickel and diming over quite old CCNs that CAPS actually want or need - it's all some sort of game. We have had no response to my muscular demand for £108K, so the time has come to Star Chamber out anything that is not to make NR2 work, wait for their Change Requests and tell them that trains have left the station.

5. COSTS

Customer Service Report.

ICL Pathway   **Pathway Programme Monthly Report**   Ref: PA\REP\0020
Version: 1.0
Customer Service Report   Date: 14/01/98

Customer Service Report

1. MONTHLY SUMMARY

- December proved to be a difficult month for Customer Service during which our reserves of knowledge, resource and expertise were stretched.

- A number of hardware, software and procedural failures occurred at a time when resources were limited due to the holiday period but which, with hindsight, might have been avoided. A comprehensive review of what transpired is underway and a full report identifying root causes and resolution actions will be published before the next Service Management Review on 21 January.

- On a positive note, the December experience was a priceless learning opportunity. It has sparked off many other trains of thought directed at pre-emptive activities to monitor and test the system for unexpected events and both our Customer Service staff and our suppliers are much more aware of the need to be meticulously detailed in dealing with problems.

2. PROGRESS

2.1 OPERATIONS

- Three serious issues in December

> Hardware failure in Correspondence Server at 13:00 on 22/12/97.

> CFM failed to carry out the agreed recovery process and as a result the system was not fully operational until 09:30 the following day. 15 benefit encashments were performed in fallback by the helpdesk. There were no payment stops that were not implemented.

> Payment files rejected on 1st and 4th January. These were rejected by the system because they were more than 7 days old - however the high level design allows for files as old as 365 days. The parameter setting was incorrect and 14 customers had to be paid manually.

> CAPS failed to process exception files before closing down for holiday period. As a result, several payments due on 29 December could not be paid until the following day.

- Each of the above issues is being thoroughly investigated and our conclusions will be presented to the Service Management Review forum on 21 January.

- The RED Alert on Tivoli is still in 'monitor' stage. The fix we received was tested successfully and has been implemented but we are continuing to operate the work around in parallel for a further 8 weeks. The PDA is aware of progress and is happy with our actions and they have agreed to drop their requirement for a 4-weekly re-negotiation cycle. Three other Tivoli clients in the US have experienced similar problems and so the fix will be incorporated into a General Release due in mid January.

- The IGL card migration programme has been initiated - 1561 cards have been issued.

- The old (0645) Payment Card Help Line numbers for DSS, POCL and Welsh customers are now switched to a message advising of the new (0845) numbers. The old PCHL number for English customers will remain in parallel use until the IGL cards are phased out.

- Some De La Rue quality problems have been identified - e.g. PUNs not properly personalised/enveloped, cards incorrectly packaged/addressed. This has been formally raised with DLR's Bureau Manager, Dave Wilson, and the results of their investigation will be reviewed at the operational service review on 15 January.

2.2 RELEASE MANAGEMENT

- Since the start of Release 1c we have implemented 96 release notes covering 172 PinICLs.

- 76 software fixes, 19 software baseline changes and 1 change to reference data have been made. There are a further 50 PinICLs in work-in-progress.

- Of all of the fixes applied to Release 1c, 25 were applied during Model Office testing, 71 have been applied since going live, more than 1 per day with no indication of the rate diminishing. This is a much higher volume than had been expected and raises a number of concerns with respect to product quality.

- The quality of information accompanying new releases from development varies widely and urgent work has begun to establish a benchmark for this process. Oracle provides the best quality of information with new releases.

2.3 BUSINESS SUPPORT

- The problem of duplicate encashments continues to cause concern as the frequency of incidents caused by post office staff failing to complete BES transactions is rising. A design change which fixes this problem has been received from Escher and is in the pipeline for operational testing.

- An Oracle software problem has caused the weekly cash account reports to be suspended. Until a fix has been applied, cash account reports are being produced daily by post masters and collated manually to produce the weekly report.

2.4 CUSTOMER SATISFACTION

- Customer dissatisfaction with the operation of the receipt printers is a significant issue. Horizon System Helpdesk has noted this and some two-thirds of Sorbus engineer visits are now associated with printer issues (mostly advice and guidance not actual printer failures).

- The Management Care Visit programme for 1997 (which covered services provided at 1b) was completed. Overall the sub-postmasters were 90% satisfied with the services provided. Particularly positive areas were the services provided by the Horizon System Engineers and the Horizon System Helpdesk. The least positive area was Training and User Guides. There were concerns that the training was not always local enough, the attendees were out of pocket and the User Guides were little used while the system was so simple to use. A full report will be distributed in January.

- The percentage of returned service visit reply cards was 98% The percentage of satisfied responses was 95%.

2.5 SYSTEM SUPPORT

- The move of the SSC to BRA01 will complete during January.

- Diagnostic skills and overall knowledge of the systems continues to improve.

- In December, 213 PinICLs were raised. 103 PinICLs were closed by the SSC and 74 transferred to Development for resolution. This must be seen as a serious distraction to the development teams who are focused on Release 2.

2.6 MANAGEMENT INFORMATION SERVICES

- There have been some improvements in MIS and Data Warehouse but the situation still remains disappointingly slow to be resolved. The lack of reliable, accurate Management Information imposes a severe strain on staff attempting to produce reports manually and generally frustrates our colleagues in the PDA who depend on this for Service Management.

- Peter Robinson has published his latest (Variant 15) volumetric forecast for Card and PUN production. A report received from the PDA suggests that the model Peter uses is more sophisticated than the model used by the PDA and Sponsors and produces more accurate results.

3. CURENT CRITICAL PROBLEMS

- None

4. ISSUE

- Quality of output from Data Warehouse.
- R1c software product quality impacting upon Release 2 development.

5. PERSONNEL

6. SUMMARY IGL / 1B / 1C SERVICE REPORT - DECEMBER 1997

6.1 BENEFIT PAYMENT ANALYSIS

6.1.1 PAYMENT / ENCASHMENT BREAKDOWN BY VALUE - DECEMBER 1997

Unencashed B/F	Pmts Rec'd	Stops & Expiries	Encashments	Unencashments C/F
£42,485.35	£280,222.35	£2,273.45	£190,253.95	£130,180.30

6.1.2 PAYMENT / ENCASHMENT BREAKDOWN BY VOLUME - DECEMBER 1997

Unencashed B/F	Pmts Rec'd	Stops & Expiries	Encashments	Unencashments C/F
1416	10498	85	6762	5067

6.1.3 PAYMENT / ENCASHMENT BREAKDOWN TO 31/12/97 - BY MONTH

Month	Payments Received		Stops & Expires		Encashments Made	
	Number	Value	Number	Value	Number	Value
96/09 Sept	30	£530.00	0	£0.00	19	£372.20
96/10 Oct	150	£3,048.30	4	£62.80	132	£2,634.00
96/11 Nov	630	£16,987.50	7	£123.40	550	£14,920.20
96/12 Dec	1769	£52,024.40	22	£423.60	1468	£43,241.60
97/01 Jan	2096	£62,726.60	21	£462.20	2161	£64,688.70
97/02 Feb	3675	£110,337.00	47	£1,198.30	2694	£81,525.30
97/03 Mar	3339	£102,626.30	56	£1,300.80	3599	£109,528.90
97/04 Apr	4530	£124,614.65	65	£1,671.85	4497	£124,587.95
97/05 May	3336	£103,320.95	31	£1,048.30	3212	£96,697.85
97/06 Jun	3541	£109,839.45	26	£649.45	3560	£113,521.40
97/07 Jul	4282	£134,050.20	38	£1,158.70	3720	£115,642.00
97/08 Aug	3514	£107,618.00	47	£1,144.45	3576	£108,922.30
97/09 Sep	3469	£104,760.30	54	£1,019.50	4055	£124,778.95
97/10 Oct	4161	£127,797.70	42	£887.50	3683	£111,170.85

Month	Payments Received		Stops & Expires		Encashments Made	
	Number	Value	Number	Value	Number	Value
97/11 Nov	3944	£118,586.85	60	£1,121.95	3604	£111,877.85
97/12 Dec	10498	£280,222.35	85	£2,279.45	6762	£190,253.95
Total	52964	£1,559,090.55	605	£14,552.25	47292	£1,414,364.0 0

6.1.4 PAYMENTS / ENCASHMENTS BREAKDOWN TO 31/12/97 - BY QUARTER

Quarter	Payments Received		Stops & Expires		Encashments Made	
	Number	Value	Number	Value	Number	Value
96/3	30	£530.00	0	£0.00	19	£372.20
96/4	2549	£72,060.20	33	£609.80	2150	£60,795.80
97/1	9110	£275,689.90	124	£2,961.30	8454	£255,742.90
97/2	11407	£337,775.05	122	£3,369.60	11269	£334,807.20
97/3	11265	£346,428.50	139	£3,322.65	11351	£349,343.25
97/4	18603	£526,606.90	187	£4282.90	14049	£413,302.65
Total	52964	£1,559,090.55	605	£14,546.25	47292	£1,414,364.00

6.1.5 PEAK ENCASHMENT DAYS TO 31/12/97

Date	Day	Number	Value
97/03/24	MON	468	£14,645.80
97/04/07	MON	407	£10,719.50
97/04/14	MON	459	£13,255.20
97/04/28	MON	694	£19,739.50
97/05/19	MON	612	£20,907.00
97/07/21	MON	455	£15,710.30
97/08/18	MON	637	£19,262.50
97/10/14	TUE	513	£15,219.00
97/11/17	MON	476	£13,779.65
97/12/08	MON	465	£13,785.10
97/12/15	MON	610	£18,024.65
97/12/16	TUE	406	£10,861.20
97/12/22	MON	522	£14,801.95
97/12/23	TUE	751	£20,658.60
97/12/29	MON	674	£19,274.45
97/12/30	TUE	782	£18,839.30
	Days	16	

6.2 FOREIGN ENCASHMENT ANALYSIS

6.2.1 FOREIGN ENCASHMENTS BY TYPE TO DECEMBER 1997

Type	Number
Foreign Encashments made at Post Offices	23
Foreign Encashments made by Payment Card Helpline	53
Total	76

6.2.2 FOREIGN ENCASHMENTS TO 31/12/97 - BY MONTH

Month	Number
96/10 Oct	4
96/11 Nov	8
96/12 Dec	14
97/01 Jan	16
97/02 Feb	34
97/03 Mar	54
97/04 Apr	62
97/05 May	55
97/06 Jun	132
97/07 Jul	80
97/08 Aug	66
97/09 Sep	68
97/10 Oct	50
97/11 Nov	17
97/12 Dec	23
Total	683

6.3 HORIZON SYSTEM HELPDESK CALL ANALYSIS

6.3.1 CALLS RECEIVED BY CATEGORY - DECEMBER 1997

	DSS	N/A	PATHWAY	POCL	Total
A&G			8	228	236
DE-INSTALLATION					
DOCUMENTATION			1	4	5
ENVIRONMENT			3	11	14
HARDWARE		1	8	73	82
IMPLEMENTATION			2	17	19
INAPPROPRIATE		1	1	30	32
NETWORK			20	6	26
OPERATIONS	12		28	103	143
OTHER				8	8
SOFTWARE	1		53	41	95
Total	13	2	124	521	660

6.3.2 CALLS RECEIVED TO 31/12/97 - BY MONTH

Month	Number
96/09 Sept	10
96/10 Oct	28
96/11 Nov	47
96/12 Dec	39
97/01 Jan	70
97/02 Feb	71
97/03 Mar	132
97/04 Apr	240
97/05 May	736
97/06 Jun	967
97/07 Jul	504
97/08 Aug	380
97/09 Sep	600

Month		Number
97/10 Oct		465
97/11 Nov		1024
97/12 Dec		660
	Total	5973

6.3.3 CALLS RECEIVED TO 31/12/97 - BY QUARTER

Quarter	Number
96/3	10
96/4	114
97/1	273
97/2	1943
97/3	1484
97/4	2149
Total	5973

6.4 PAYMENT CARD HELPLINE CALL ANALYSIS

6.4.1 CALLS RECEIVED BY CATEGORY - DECEMBER 1997

	BA	Cust/Eng	Cust/Welsh	POCL	Total
CMS	20	337	0	89	446
GENERAL	23	330	5	138	496
PMS	26	66	0	43	135
Total	69	733	5	270	1077

6.4.2 CALLS RECEIVED TO 31/12/97

Month		Number
97/11 Nov		437
97/12 Dec		1077
	Total	1514

6.4.3 CALLS RECEIVED TO 31/12/97 - BY QUARTER

Quarter	Number
97/4	1514
Total	1514

6.5 OBCS TRANSACTION ANALYSIS

6.5.1 TRANSACTION VOLUMETRICS - DECEMBER 1997 (ALL TRANSACTIONS)

	Total
Encash	364742
Issue	24339
Non-Barcoded	
Re-direct	238
Receive	27715
Total	27953

6.5.2 TRANSACTION VOLUMETRICS - DECEMBER 1997 (FOREIGN TRANSACTIONS)

	Total
Encash	17871
Issue /Receive	2220
Total	20091

Quality and Risk Report.

Quality & Risk Report

1. MONTHLY SUMMARY

- FRM progress. Investigation of fraud procedures are being developed, to include reconciliation, FRM and Security Event Management.

- Risk Management. A Fujitsu Risk report was completed, considering the high level risks to the programme plan for NR2.

- System Security. NR2 security issues, in particular AP Signing, PCHL authentication continue to absorb effort. Work continues to define technical access control requirements.

- Quality. An analysis of R1c migration equipment failures has been completed, highlighting software, procedural problems as well as hardware issues.

- Audit. We conducted the first 'audit investigation', which raised operational issues which are being followed up. Considerable effort has gone into the review of audit design and consideration of data storage requirements. Internally, I have a concern that the Audit design is late, which may impact implementation for NR2.

- Year 2000 Conformance. Reviews of all suppliers continues, including product and service suppliers and is being monitored via a risk register. POCL are now satisfied at a working level with Pathway's approach to compliance and have communicated this to senior POCL management. Joint Liaison meetings with PDA, POCL and DSS are now beginning to consider testing approaches.

2. PROGRESS

2.1 FRAUD RISK MANAGEMENT

2.1.1 RELEASE 1C

- The FRM PCs in Bootle and Terminal House PCs are now installed. It has still not been possible to produce accurate reports to the PDA because:

    The transaction date is masked within the Business Objects Universe.

    The migration of IGL data to the R1c warehouse did not carry the correct benefit code.

Fixes for these are known and will be delivered to the during the week commencing 5/1/98.

- Investigation of Reconciliation Fraud Procedure. A meeting between FRM, Security and Reconciliation has been held to resolve the major issues, and the process is now being progressed within the Reconciliation team.

2.1.2 RELEASE 2

- A significant problem has been identified in that EVP can be asked more than once per customer session. It is linked to the inability of the Pathway solution to identify Customer sessions, EPOSS sessions and BES sessions. This is partly due to the system not being physically linked to the cash drawer. Further investigation of this problem is scheduled for January.

2.2 RISK MANAGEMENT

- The Fujitsu Risk report was despatched on 23 December 97. A sensitivity analysis of the High Level Plan has indicated a 87% confidence interval of meeting a target date of 5/10/98 for start of Live Trial. This is the latest acceptable date to the Customer for start before Christmas. Therefore, should ICL Pathway fail to meet this, the next viable date is in January 1999. This would introduce a delay of 14 weeks with an estimated impact on the Business Plan PBT of £28mn. The risks that are considered to have the most significant impact have been identified. Quantification and mitigation actions will be placed during January.

2.3 SYSTEM SECURITY

- PDA have agreed to sign off vn3 of the SFS with a caveat for operational sites. PDA have produced a review of vn1.3 of the ACP.

- Significant effort to provide SFS and ACP document histories for Mason's Solicitors.

2.3.1 RELEASE 1C

- Key material for the protection of links for the SSC relocation to Bracknell and the protection of Oracle and Sequent support links have been implemented.

- The 'Tivoli Red Alert' has been successfully managed with extensive fault-free testing of the modified adapter.

- Meetings have taken place with Alliance & Leicester security staff to gain experience of security approaches and procedures eg DPA subject access requests, event management.

2.3.2 RELEASE 2

- Progress has been made with specifying the R2 requirements for a secure Sequent platform and SecurID tokens.

- The TSC design for Key Management at R2 is under review, and will be published during January 1998.

- A design to enable 'crude' digital signing of Automated Payments was agreed internally as a potential solution for Release 2. However it still requires considerable development and therefore poses significant risks to programme timescales. Position with PDA remains that it will not be provided for NR2.

- An acceptable means of authenticating the Payment Card Help Line (PCHL) staff to Post Offices continues to exercise much effort. Chris Sundt has visited the BT Network Security Investigations Group in an attempt to identify COTS products which will provide the authentication required without impacting transaction timings or related SLA's at the PCHL. These, and the better quantification of the threats are being considered.

2.4 QUALITY

- A R1c migration DQA report has been drafted and circulated for comment. Actions to be agreed with actionees and summarised in an Improvement Plan.

- Evaluation questionnaires have been received from 3 prospective suppliers of EFTPOS software. None has ISO registration or equivalent although all work within the APACS environment and claim to have documented processes. Feedback has been input to the selection review.

- Issue escalation. CS have found that the 3rd, or subsequent, PUN issued for a particular card will not activate the card. The system appears not to be updated with details from PUNs beyond the second. A work around has been agreed, and temporary action implemented to limit the size of the potential problem, pending availability of a modification / solution.

- R1c migration equipment failures. Analysis has been completed and a report circulated. Traceability has been hampered by differences in the numbers of failures reported by different systems and by inadequate identification of equipment returned for diagnosis. Failures were categorised as software problems, procedural problems (including Exel installation and diagnostic activities which contribute to equipment judged to be NFF) and R1b hardware problems, as well as (relatively few) R1c equipment failures:

- 1997 Packaging Recycling / Reclaim Returns. Corporate Environmental Affairs advise that Pathway should contribute to the overall ICL report and input is required by mid February 1998. This has been kicked off with Implementation.

2.5 PROCESS MANAGEMENT

- A follow up review of Process definition within Implementation has been conducted; to set the standard for documenting Roll Out processes. Implementation have published a Quality Plan summarising the approach to be followed; this is being reviewed.

2.6 AUDIT

- The audit workstations at Wigan datacentre were tested and found to be improperly configured. This was compounded when attempts to use the workstations at FEL01 failed - again the PCs were found to be incorrectly configured. This is being tackled by CFM.

- Investigative support. The audit system for R1c was used for the first time in anger to provide information and analysis for the investigation of suspicious events at the 'Bath Road' Post Office (subsequently found to be an ISDN line problem which was undetected for some time). This has raised the issue of the role that Audit function plays which will be better defined.

- Considerable effort has gone into reviewing and considering the Audit design and approaches. There is considerable concern at the lateness of the design (for Audit and Data storage), and potential impact on the programme timescale or acceptability of NR2.

- The requirement for data as detail for Audit trails is being developed. The approach that is being considered is to regularly audit and prove the correct operation of the system and use consolidated data for in depth audit. This will minimise the requirement for data storage. The approach will be discussed with BA and POCL, to gain agreement to the principles.

2.7 YEAR 2000 CONFORMANCE

- Product suppliers. Issues remain with FJ and the hardware inventory, BMC and Sequent dates. Monitoring of progress against stated plans for conformance should be the responsibility of staff with the relevant product responsibility - there is still an issue identifying these staff.

- Service Providers. The forecast date for the delivery of the CFM compliance plan has slipped to mid January 1998. Compliance statements have been received from all major external suppliers with the exception of D2D.

- Testing. Planned tests do not fully exercise the end to end system, in particular the network infrastructure. This is being pursued.

- Internal IT. A survey of the desk top PCs is underway by CS to establish what software is installed. The Oracle Financial System is not Year 2000 compliant at its current version. CFM have proposed to upgrade to the later/compliant version; however the package is seen to be too complex for Pathway's business needs. It is recommended that the decision date for the replacement be brought forward from Q2/98 to end Q1/98, to allow 1998/1999 Year end processing on the new version.

- Ray Jaggers (POCL Year 2000 compliance) has written at our request to Paul Rich advising that POCL have sufficient visibility of Pathway's plans, in conjunction with joint end-to-end test initiatives, that this is no longer a major issue.

3. CURRENT CRITICAL PROBLEMS

- None

4. ISSUES

- The Risk Management process is still not functioning as required and a review is required in January to ensure all NR2 and R3 activities can be completed.

- The audit design, and by association Security Event Management, for NR2 is late. This is causing concern about the extent of the implementation for NR2.

- Acceptance of NR2 security exclusions in particular AP Signing and definition of an acceptable solution to the authentication of Help Desks in fallback continue to be issues.

5. COSTS

Business Development Report.

Business Development Report

1. SUMMARY

- A quiet month overall as the team caught up on untaken annual leave - well deserved.

- BillPay is still grinding along. A meeting post Christmas with Paul Harris, Head of Financial Inpayments highlighted a number of outstanding issues, namely end-to-end reconciliation and MIS. He also explained the financial difference between the two solutions, BillPay and APT. We have had to remind Paul that our proposal was based on the system that existed, not the full Release 2 version. My current thoughts are that POCL will not make any decision for either BillPay or APT!

- The Client position is still flaky. Stuart Sweetman is about to send out a letter to all Clients explaining the current position on dates for the programme. Clients are generally still very supportive but find it impossible to commit while the uncertainty persists.

- Significant time and effort is now being spent on Social Banking and good work is being undertaken with Bert Bertoloni in scoping the opportunity and identifying potential ways forward. The principal aim is to put a set of arguments together to convince Ministers of the potential of the Horizon programme. This work is now encompassing direct client contact with the utilities and BA.

- POCL's CEC (counters executive committee) plus 11 other POCL senior management attended an SEP at Hedsor on 15/16th December. This was a very successful event albeit the proof will be in the actions taken as a result. Claire Le Fevre, CITU was joined on the speakers side by Chris Yapp and Jacques de Cock. All of these input sessions were stimulating and well received and might have even shocked POCL with some of the current views on happenings in their related business world. I am proposing that we may offer another event for the Post Office.

- Government.direct (from a post office perspective) continues to make little progress. As was demonstrated at the SEP Post Office are not on the inside track and are not making the running. This may still be an opportunity for ICL but it needs to be evaluated carefully.

- Customer Education is making some progress. It will move from the PDA to CAPS but CAPS are showing some reluctance to picking it up. Also it has become very obvious that BA do not want POCL to have any involvement in Customer Education. However, POCL have a different view. The only issue for us is with both sponsors involved the approval route is longer but that has to be built into the plan. It is still our aim to have the overall customer education strategy signed off by mid February.

- Not much progress on the commercial issues around Implementation but a meeting with Mena Rego and Bruce McNiven on 15th Jan. will help to move these issues forward.

- There has been a varying amount of press interest over the past month. BA and POCL seem ever so keen to pass the contacts in our direction. We need to exercise extreme care with the press and ensure we stick to the agreed lines.

2. PROGRESS

2.1 BUSINESS DEVELOPMENT

- BillPay continues to absorb a lot of time. Tony Lavery submitted another batch of documents on Christmas Eve. An internal review has taken place to ensure that WE CAN DELIVER if POCL give the green light. While some concerns do still exist I am assured that as long as POCL understand the scope of our offer and more importantly what we are not offering then there is no reason why the BillPay solution will not work effectively and deliver the business benefit.

- Brian Hauxwell is continuing his work on defining the generic banking product. I am expecting to see a draft spec. in the coming week.

- Other BRDs are still counted as WIP. No major movement on any of them and none was expected.

2.2 CUSTOMER EDUCATION

- A lot of expended time in handling the press activities. In the absence of any activity on the sponsors part, it falls to us. This activity may continue for some time. In the light of the article in Government Computing, it is vital that we not stick our necks out. We will resort to 'no comment' if needs be.

- Release 1C sites are mow bringing new card customers onto the system. All Customer Education activities have worked well and all collateral is available via the fulfilment service.

2.3 CUSTOMER RELATIONS

- Presentations and discussions on the Horizon system have now taken place with the Welsh and Scottish Postal Boards. A similar session tales place with the Northern Ireland Board on the 13th January. The Boards comprise the Regional directors of POCL, Royal Mail and Parcelforce plus a non-exec Chairman. Their role is to monitor the Post Office business on a Regional basis and promote Post Office either politically or in the business environment.

- Martin Johnston is continuing full time on sorting out the Agreements to Agree.

3. CURRENT CRITICAL PROBLEMS

4. ISSUES

5. COSTS

International Sales Report.

International Sales Report

1. SUMMARY

2. PROGRESS

3. CURRENT CRITICAL PROBLEMS

4. ISSUE

Organisation & Personnel Report.

Organisation and Personnel

1. MONTHLY SUMMARY

- A very busy month with some key activities and initiatives being managed. This has combined with positioning the function to operate without a Personnel Operations Manager in the short term
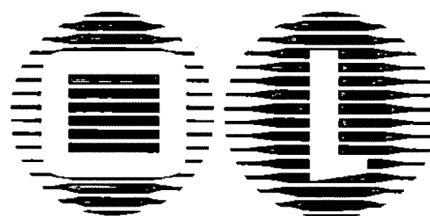
2. PROGRESS

- Graham Chatten has joined as Programmes Office Manager. Graham was identified through a search campaign and we have been particularly fortunate that he is able to start within days of appointment. This has enabled a high quality handover from Barrie Vaughan

- The approach to renewal of freelancer contracts has dominated work during the month and this is now agreed with appropriate line management. This represents some difficult work which will stretch throughout the first quarter and close management is essential to success

- The managing performance framework is now live and is being cascaded throughout the organisation. Effort has been focused on keeping this approach both simple and effective

- Flexible benefits become available to all staff during 1998 and a communication process and method of making personal choices in benefit mix is now being rolled out

- The ICL Pathway bonus has been communicated to all permanent staff

3. CURRENT CRITICAL PROBLEMS

- Melanie Lyng, Personnel Operations Manager, left ICL Pathway at the end of the month. Despite her extended notice, it is very disappointing that we do not currently have any replacement identified. Both internal advertising and requests for interim support from other parts of ICL Group have not generated candidates. Authorisation from Group Personnel to resource externally has just been achieved and an advertisement will appear in the Personnel Media first thing in January. One way or another, interim cover is required for at least the first quarter and, without it, limited service is certain.

4. ISSUES

Post Office Client Report.
Client
Report.

The Post Office - Client Director's

1. MONTHLY SUMMARY

- Following the completion of the input for the second MDs workshop 8 Dec in follow up to the PA Audit Report, the major activities have been in preparing for the POCL SEP; and completing the Call Centres Proposal.

2. PROGRESS

2.1 PATHWAY

- Following discussions with Basil Shall, there is now an opportunity to re-open involvement with the Post Office government.direct pilot "genesis.direct". We have also reviewed the Microsoft work on iFORMS involving Inland Revenue, Contributions Agency and HMCE. In both cases further ICL involvement needs careful qualification.

2.2 CALL CENTRES

- The Customer Contact Centres ITT turned out to be closer to an RFI, leading to uncertainty whether they have already selected preferred partners. The ICL team, put together from Call Centre technical and bid skills in ICL Ireland and in Kainos, together with staff borrowed from ICL Enterprises, delivered a comprehensive proposal on time; incorporating specialist telephony hardware from Lucent technologies and specialist software from IBM Callpath and Graham Technologies. We have positioned ICL as the systems integrator and prime contractor, based on a track record of building similar systems for Telecom Eireann, Lombard & Ulster division of NatWest and ScottishPower.

2.3 OTHER ACTIVITIES

- The One Stop Shop Desktop bid, which false-started earlier in 1997, was re-advertised in the European Journal. This opportunity has been tracked by Mark Newall, Tplc account manager for the Post Office, who is leading the response. Tplc are shortlisted (one of five) with reference visit by the evaluation committee to Warrington Feb 9th.

- A new Journal ad has appeared for supply of architecture and tools for Desktop service management. CFM have appointed Paul Arnold as salesman to progress this one.